Daily Report

Latin America

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FBIS-LAT-96-017 *25 January 1996*

CONTENTS

INTER-AMERICAN AFFAIRS

Ecuador Hands Over Rio Group Secretariat to Bolivia *[Madrid EFE]* 1
OAS Report: 170,000 Mines Buried in Central America *[Guatemala City TV]* 1

CENTRAL AMERICA

El Salvador

Salvadoran President Installs Security Council Members *[San Salvador Radio]* 2
El Salvador's FMLN Demands Compliance With Peace Accords *[EL DIARIO DE HOY 10 Jan]* 2
El Salvador's Copaz Closes at End of Peace Mission *[LA PRENSA GRAFICA 11 Jan]* 3
Salvadoran Enterprise Association Head Interviewed *[LA PRENSA GRAFICA 2 Jan]* 4

Guatemala

Guatemalan Congress Objects to Budget Handling *[PRENSA LIBRE 10 Jan]* 7
Guatemalan Commerce Chamber Urges Structural Change *[ACAN]* 7
Guatemalan PAN Official Elected Congress President *[PRENSA LIBRE 15 Jan]* 8
Guatemala's Unitarian Front Asks Arzu To Sign Treaty *[PRENSA LIBRE 16 Jan]* 9

Nicaragua

Nicaraguan Rebels: Government Fails To Follow Accords *[Managua TV]* 9
Nicaraguan Commando Group Pledges To Fight Crime *[EL NUEVO DIARIO 13 Jan]* 10
Nicaraguan Sandinist Movement Deputies Elect Leaders *[EL NUEVO DIARIO 6 Jan]* 10
Nicaraguan Resistance Party Names Candidate *[EL NUEVO DIARIO 15 Jan]* 11
Nicaraguan Minister: Reducing Sales Tax Impossible *[BARRICADA 18 Jan]* 12

Panama

Panama Investigates 'Warning' to President *[EL PANAMA AMERICA 19 Dec]* 12
Panamanian Minister Views Ties With Asia, U.S. *[Panama City TV]* 13
Panama's Immigration Director Discusses Cuban Rafters *[EL SIGLO 26 Jan]* 19
Panamanian Party Head Assails Presidential Authority *[MAGAZINE DOMINICAL EL SIGLO 31 Dec]* 19
Panamanian Parties Protest President's 'Special Powers' *[EL PANAMA AMERICA 5 Jan]* 20
Panama's Liberal Republican Party President Resigns *[Panama City TV]* 20
Panamanian Party Appoints New President *[Panama City TV]* 20

SOUTH AMERICA

Argentina

Argentina Upholds Stance Against Nuclear Tests *[TELAM]* 22
Argentina: Lack of Faith in Democratic Institutions Seen *[LA PRENSA 2 Jan]* 22

Bolivia

Bolivian Labor Leader: CIA Presence 'Very Serious' *[La Paz Radio]* 24
Bolivia Informs UN Group of Coca Eradication Program *[Madrid EFE]* 24

Bolivian Asks UK To Support Drug Enforcement *[Madrid EFE]* 24
Peruvian MRTA Not Fully Dismantled in Bolivia *[PRESENCIA 6 Jan]* 25
Bolivian Ex-President To Run in 1997 Elections *[TELAM]* 26
Bolivia's Governing Coalition Ends Dispute *[Madrid EFE]* 26
Article Views Bolivian Administrative Decentralization *[LOS TIEMPOS 19 Jan]* 27
Bolivia's Mayor of Tarija Installed for 3d Time *[LA RAZON 6 Jan]* 27
Bolivian Government Inaugurates Official News Agency *[PRESENCIA 17 Jan]* 27
Bolivia's Military Officers Concerned Over Retirement *[EL MUNDO 13 Jan]* 28

Brazil

Brazil Extends Sivam Contract With U.S. Firm Raytheon *[FOLHA DE SAO PAULO 23 Jan]* 28
Brazilian Senator Criticizes U.S. Gas Import Policy *[AGENCIA ESTADO]* 29
Brazilian Paper on 'Double Standards' of U.S. Trade Law *[O ESTADO DE SAO PAULO 20 Jan]* 29
Brazilian Senate Committee Blocks Patent Bill Amendments *[AGENCIA ESTADO]* 29
Brazilian Commentary on Defense of U.S. First Lady *[Rio de Janeiro TV]* 30
Brazil's President Opposes Death Penalty for Traffickers *[JORNAL DO BRASIL 20 Jan]* 30
Brazil's President, Congressmen on Municipal Elections *[FOLHA DE SAO PAULO 17 Jan]* .. 31
Brazil's Cardoso: No Campaign Prohibition for Ministers *[JORNAL DO BRASIL 20 Jan]* 31
Brazilian Congressmen View Government Defeat in Congress *[O GLOBO 18 Jan]* 32
Brazil: Deficit Seen Greatest Threat to Real Plan *[O ESTADO DE SAO PAULO 7 Jan]* 32
Brazil: Economic Team Identifies 1996 Challenges *[O ESTADO DE SAO PAULO 7 Jan]* 34
Brazil: More Moderate Growth Forecast for 1996 *[GAZETA MERCANTIL 2 Jan]* 36

Chile

Chilean Envoy to U.S. on Americas Summit Agreements *[EL MERCURIO 23 Jan]* 37
EU Adviser Urges Pact With Chile Outside Mercosur *[EL MERCURIO 8 Jan]* 38
Swedish Industry Minister Pays Visit to Chile *[EL MERCURIO 7 Jan]* 38
Chilean Finance Minister Aninat Interviewed *[EL MERCURIO 21 Jan]* 39
Chilean Party Official Issues PPD Socioeconomic Agenda *[EL MERCURIO 5 Jan]* 41
Chilean Daily Assesses Peruvian Proposal *[EL MERCURIO 6 Jan]* 41
Chilean Navy Incorporates New Ship in Valparaiso *[EL MERCURIO 11 Jan]* 43

Colombia

Colombia's Samper, Pardo Call OAS Envoy for Talks *[Santa Fe de Bogota Radio]* 43
Colombia's Senate President on Special Session *[Santa Fe de Bogota Radio]* 44
Colombian General Pledges Support of Armed Forces *[Santa Fe de Bogota Radio]* 45
Colombian Prosecutor Views Botero Statements *[Santa Fe de Bogota TV]* 46
Colombian President Makes Public Appearance *[Santa Fe de Bogota TV]* 46
Colombia's Pastrana Calls For Samper To Resign *[Santa Fe de Bogota Radio]* 46
Colombian Financial Group Head Asks Samper To Resign *[Santa Fe de Bogota TV]* 50
Colombia's Botero: Samper Collected Drug Funds *[Santa Fe de Bogota TV]* 50
Colombia's Botero Said To Feel 'Betrayed' *[Madrid EFE]* 51
Colombian Business Groups Urge Samper's Resignation *[Santa Fe de Bogota Radio]* 51
Colombian Businessman Urges 'Temporary Retirement' *[Santa Fe de Bogota TV]* 52
Colombian Attorney Denies Botero Received Benefits *[Santa Fe de Bogota TV]* 53
Colombian Envoy to U.S. 'Thinking About' Resigning *[Santa Fe de Bogota TV]* 53
Colombian Envoy to U.S. Denies Intent To Resign *[Santa Fe de Bogota Radio]* 54
Colombian Report Views U.S. Silence on Samper Issue *[Santa Fe de Bogota TV]* 54
Colombia's Samper Speaks on Intent Not To Resign *[Santa Fe de Bogota TV]* 55
Colombian Minister on Referendum, Envoys' Resignations *[Santa Fe de Bogota TV]* 56
Colombian Ex-Minister Rejects Call for Referendum *[Santa Fe de Bogota TV]* 57

Colombian Attorney Supports Reopening Samper Inquiry *[Santa Fe de Bogota TV]* 57
Colombian Ruling Party Announces Support for Samper *[NOTIMEX]* 57
Colombia: Samper Testimony to Committee Reported *[EL TIEMPO 9 Dec]* 58

Peru

Peruvian Daily Urges U.S. Commitment on Anti-Drug Work *[EL COMERCIO 16 Jan]* 68
Thai Deputy Prime Minister Pays Visit to Peru *[EL COMERCIO 16 Jan]* 69
Peru Plans To Strengthen Air Force With New Aircraft *[EXPRESO 14 Jan]* 69
Peru's President Comments on Congressman's Proposal *[Lima TV]* 69
Peru: President Again Wins High Approval Rating *[EL COMERCIO 23 Dec]* 69

Ecuador Hands Over Rio Group Secretariat to Bolivia

PY2301105796 Madrid EFE in Spanish 2100 GMT 22 Jan 96

[FBIS Translated Text] La Paz, 22 Jan (EFE) — In assuming the Rio Group Pro Tempore Secretariat at Ecuador's hands, Bolivia committed itself to promoting the consolidation of the regional integration endeavor and a greater rapprochement with the EU.

Ecuadoran Foreign Minister Galo Leoro declared in La Paz today that peace and security in Latin America and the settlement of conflicts or disputes that threaten peace and security constitute the most important commitments facing the Rio Group because they are an essential condition for achieving other objectives.

The ceremony in which Ecuador transferred the Rio Group Pro Tempore Secretariat to Bolivia was held at the Bolivian Foreign Ministry today. Also present at the ceremony were Ivan Cannabrava, Brazilian foreign policy under secretary, and Jose Zanotti Cavazzo, Paraguayan vice minister for political affairs.

In his speech, Leoro said that the establishment of the Latin American Community of Nations was one of the main challenges facing the Rio Group, whose most important commitment is — according to the Ecuadoran foreign minister — the search for the peaceful settlement of controversies and conflicts of any nature within the region in accordance with international law.

Leoro underscored the importance of the work done by the Rio Group at international forums strengthening its presence at the United Nations and its specialized agencies and its relations with the EU, whose representatives will meet in the Bolivian city of Cochabamba in April.

Leoro said: "The Rio Group has consolidated its role as a valid interlocutor," adding that besides the agreements with the EU, the Rio Group has conducted fruitful negotiations with Japan, Canada, and the Gulf Cooperation Council, with which agreements will be signed in 1996.

The Ecuadoran foreign minister further stated that the year 1995 saw the consolidation of the region's democracies and the adoption of measures against drug trafficking, which in his view, undermines the legitimacy of democratic systems of governments. Concurrently with this, the minister added, there was a wide-ranging debate about the measures that should be taken to come to grips with the deterioration of the Latin American peoples' social conditions.

In handing over the interim secretariat to Bolivian Foreign Minister Antonio Aranibar, Leoro noted that the objectives proposed while Ecuador held the Rio Group Pro Tempore Secretariat were achieved thanks to the "resolute and sincere" support of the Rio Group foreign ministries.

The Ecuadoran minister suggesting drafting a plan of action for 1996 "which will enable us to move ahead steadily into the third millennium."

The Bolivian foreign minister, for his part, pledged to encourage actions geared to solving the problem of consumption, production, and illegal peddling of drugs. He also announced that he will propose taking concrete actions in areas like cultural diversity and integration, poverty, technology transfer, and economic competitiveness within the conceptual framework of sustainable development.

OAS Report: 170,000 Mines Buried in Central America

PA2301012196 Guatemala City Televisiete Television in Spanish 1900 GMT 19 Jan 96

[From the "Channel Seven News" newscast]

[FBIS Translated Text] The OAS has issued a report in Montevideo, Uruguay, confirming that at least 170,000 mines of different types remain buried in four Central American countries: approximately 100,000 active mines in Nicaragua, 35,000 in Guatemala, 30,000 in Honduras, and nearly 5,000 in Costa Rica. The Union for the Promotion of Democracy has been coordinating a mine-sweeping program since last March. The program is under way in Costa Rica, Honduras, and Nicaragua and will soon begin in Guatemala.

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El Salvador

Salvadoran President Installs Security Council Members

PA2201202596 San Salvador Radio Cadena YSU in Spanish 1230 GMT 10 Jan 96

[Report by Carlos Ramos; from the "YSU Radio News" newscast]

[FBIS Translated Text] President Armando Calderon Sol has sworn in members of the National Public Security Council, which is in charge of advising the president on security matters. The council was formed on recommendations contained in a UN Mission in El Salvador report on the subject. Security Minister Hugo Barrera, David Escobar Galindo, Mario Velasco, Luis Cardenal, and Salvador Samayoa will head the council. President Calderon Sol is optimistic about the council's work:

[Begin Calderon Sol recording] We are convinced that public security is the backbone of citizens' security, of state actions to consolidate democracy and the state of law in our beloved homeland. We believe the Salvadoran people have always wanted to have a public security system that will protect citizens and guarantee peaceful coexistence in El Salvador. It has been a wish [word indistinct] result of the peace agreements. All of us, all of you, all good Salvadorans have earnestly hoped to have public security that will give the Salvadoran people the guarantees they need, want, and expect. [end recording]

Minister Barrera said the Council's responsibility will be related to security regulations and will propose reforms to security laws:

[Begin Barrera recording] The mechanisms will be established with the drafting of the internal regulations of the National Public Security Council. This will be the first task it will undertake in the first meetings, which will begin on a date to be determined in the next formal meeting, which should take place next week. As public security minister, I would also like to thank the persons who were sworn in by the president as members of the Council for their willingness to contribute to guarantee citizens' security in El Salvador. In addition to their capability to fulfill their new responsibilities, the members of the Council have played an important role during the difficult situation El Salvador has faced. [end recording]

Salvador Samayoa said that with the signing of the peace agreements, the country entered a transition period during which political institutions have been changed. Therefore, a constitutional framework has been created to effectively fight crime:

[Begin Samayoa recording] Although there are important results, they are still not satisfactory, not only in police institutions but also in the judicial branch. Even though a process of purging and modernization has begun, there is still much to do in the area of imparting justice. The problem of security includes: The police force; the Public Security Academy, which trains police personnel; the attorney general's office, particularly the prosecutor general's office; the jail system; social policies; and other collateral aspects. [end recording]

David Escobar Galindo said that the commitment they have acquired is basically to build public security consonant with modern concepts of what it should be:

[Begin Escobar recording] It is a public service, a reliable and efficient public service. I believe that if we contribute to maintain, develop, and make that concept a permanent reality, we will be complying with our duty. An efficient police force is not enough; it must be efficient, within the concept of public security in civilized countries. [end recording]

The Public Security Council will be a consultative and advisory board. The methods to be used in carrying out its specific duties should be known in three weeks.

El Salvador's FMLN Demands Compliance With Peace Accords

PA1401040696 San Salvador EL DIARIO DE HOY in Spanish 10 Jan 96 p 45

[FBIS Translated Text] The FMLN [Farabundo Marti National Liberation Front] yesterday demanded total compliance with the peace accords before 30 April, while Arena [Nationalist Republican Alliance] has stated it all depends on a study that is made about the bills pending approval.

FMLN Deputy Eugenio Chicas said it is worrisome there are still important problems that have not been fully resolved on the eve of a new anniversary of the signing of the peace accords (16 January) that ended a 10-year aggression.

Among the "sensitive" problems are, for instance, the transfer of land. On this point, 18 percent of what was agreed upon is yet to be fulfilled, particularly in Cuscatlan, Chalatenango, and Morazan, departments in which many landowners do not have an interest to sell the land and "no effort on the part of the government exists to seek new options," he added.

Chicas expressed his confidence, however, that all existing problems can be resolved before 30 April, the deadline set in the latest rescheduling of the accords.

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Regarding the bills pending approval, the FMLN deputy said the study of the new Penal and Procedure Codes, the Prison Bill, and approval of the constitutional reforms is advancing at a slow pace.

According to Arena Deputy Gerardo Suvillaga, it is not true there is a delay in the analysis of the legislation involving the peace accords. The study of the Prison Bill has already been concluded, while only a few articles of the Penal Code are yet to be discussed.

The parliamentarian has said the constitutional amendments that do not have legal loopholes will be approved. A subcommission is studying the reforms, and it is expected they will be reported to the legislative plenum as soon as possible.

There is willingness on the part of Congress to cooperate in fulfilling the peace accords regarding the legislative reforms. All accords are being complied with, and the legislative branch has always cooperated in expediting such issues as the transfer of land, he has said.

Case of the PNC [National Civilian Police]

A report the UN Mission in El Salvador (MINUSAL) prepared last year on the working program to conclude the implementation of the peace accords highlighted that the increase in the number of PNC officers to 20,000, as contemplated in the San Andres Pact, makes it necessary to modify the study plans of the National Public Security Academy.

MINUSAL has also stated it is vital to expand the quantitative and qualitative capacity of the academy, which must train members at all levels of the police structure.

Deputy Eugenio Chicas said "very little has been advanced regarding the PNC. Alvaro de Soto visited El Salvador recently, and the government pledged to observe the recommendations of MINUSAL regarding the irregularities within the PNC."

Various sectors have asked that the police be purged from individuals involved in terrorism or abuses and offenses of authority.

The creation of the Public Security Council represents an important step forward. "We have confidence this will be a good contribution at this time, but the government must first fulfill other recommendations such as the PNC purge," he said.

Meanwhile, Suvillaga has said every new institution has certain problems. "We see goodwill on the part of the government in this area, especially because we want a more professional police force and all their actions to be in keeping with the law."

El Salvador's Copaz Closes at End of Peace Mission

PA1401040196 San Salvador LA PRENSA GRAFICA in Spanish 11 Jan 96 p A18

[Report by Victor Pino]

[FBIS Translated Text] The National Commission for the Consolidation of Peace (Copaz), a temporary institution that came about as a result of the peace agreements, was officially closed yesterday after the conclusion of its mission to supervise the fulfillment of commitments, just six days short of the agreements' fourth anniversary.

The organization was created right after the signing of peace on 16 January 1992 in the Mexican city of Chapultepec but began to draw down, as the programs tied to the agreements were implemented, until it pulls out completely.

Copaz members affirmed yesterday they are dismantling the institution, because the task of overseeing the peace and democratization processes has diminished. Personnel have been dismissed, and still others have joined nongovernment organizations on their own.

The official closing of Copaz was marked yesterday at the Foreign Ministry with a ceremony attended by President Armando Calderon Sol, politicians, MINUSAL [UN Mission in El Salvador] representatives, officials, and special guests.

Calderon Sol and Copaz members praised the organization's work while stressing the need to create similar institutions to strengthen democracy and the peace process.

The commission's achievements have included the drafting of several bills, including the right to possess and bear arms, as well as the legislative decree that created the Fund for the Protection of Crippled and Handicapped People Stemming from the Armed Conflict [Fondo de Proteccion de Lisiados y Discapacitados a Consecuencia del Conflicto Armado].

In addition, the commission has cooperated by following up on certain points tied to the observance of the agreements, such as the gathering of weapons of war and their legalization and the transfer of lands and related aspects.

Copaz is being closed just as the last stretch of commitments are being fulfilled, even though certain aspects on land transfers and rural settlements are still pending resolution, as well as the consideration of some of the Truth Commission's recommendations.

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Rodolfo Parker, a Copaz founder and current Peace Foundation (FUNDAPAZ) executive, has said the commission has fulfilled its duty, even if its achievements are not immediately noticeable.

Parker has cited as an example the set of rules and the coexistence of politicians from various currents that led to the discussion of topics of interest for the proper implementation of the agreements. He believes Copaz was a forum that has served as a catalyst to channel the pressures experienced during the early implementation stage of the peace pact.

He has recalled that it was the commission's idea to create FUNDAPAZ, which would continue the work initiated by Copaz. The only difference is that the issues of peace and democracy would be included in a package requiring a national debate for their solution.

The board members of FUNDAPAZ, which began in November 1994, are negotiating the financing of a research center for solutions to conflicts, a park, and a documentation center. In addition, FUNDAPAZ has promoted forums and debates.

Salvadoran Enterprise Association Head Interviewed

PA0701190496 San Salvador LA PRENSA GRAFICA in Spanish 2 Jan 96 pp A6, A7

[Interview with Roberto Vilanova, president of the National Association of Private Enterprise, by Luis Lopez Portillo; place and date not given — first four paragraphs are LA PRENSA GRAFICA introduction]

[FBIS Translated Text] Some of his phrases could be mistaken with those of a government official, but his positive words represent the Salvadoran private sector. We are dealing with the president of the National Association of Private Enterprise, ANEP, Roberto Vilanova, who, in addition to praising the government's work, has a list of petitions for 1996. He has said "the ball is in the hands of the state" in the new year.

He has insisted on the need to understand the difficult transition through which the country is going. In addition, he has recognized that the 1995 adjustments, the VAT [value-added tax] increase and the increase in almost all public services bills, prompted the economy to slow down. He has said, however, these adjustments were necessary. He has avoided explaining the government's problems and has preferred to request tolerance and point out that correcting the mistakes is what really matters.

Vilanova is pleased with the macroeconomic indicators and has praised the manner in which the government has submitted the economic measures to consensus. He even has said the measures that were taken following the goings on were "adequate" measures. He has warned, however, we must analyze the path to follow not only for the economy to continue to grow but also for it to stop depending on such factors as family remittances.

In an interview granted to LA PRENSA GRAFICA, Vilanova has insisted a great deal on the fact that 1996 is the year of the modernization and "becoming more efficient." In fact, he has said these measures will become the springboard for the country, but he has mentioned the need for aggressive and nontraditional measures, knowing full well they imply difficult steps. Following is the interview:

[LA PRENSA GRAFICA] The ECLA [Economic Commission for Latin America] has stated in its 1995 report that El Salvador is one of the countries with the highest economic growth rates in Latin America. How could Salvadorans notice this economic growth?

[Vilanova] We agree with this ECLA opinion. The country has grown by more than 5 percent, a figure which we believe is a good one. The macroeconomic indicators are good, but what we have to contemplate are the expectations we had, whether they are what we really have to consider at this time.

[LA PRENSA GRAFICA] **How come?**

[Vilanova] We believe we are in a process of transition in which the growth rate will be lower than what we were accustomed to, because there already is a need to make some type of changes not only in the macroeconomic variables but also in the variables that control the economy, so that it will again grow as dynamically as we were used to basically because of family remittances. We need to make an analysis, both on the part of the government and all sectors, to get used to this transition period and to make the necessary changes.

[LA PRENSA GRAFICA] **What type of analysis?**

[Vilanova] First, we must understand the transition period. Second, we must be aware of what we have to do; this is where the most important matter lies. Undoubtedly, starting from the adjustments that were made in 1995, such as the VAT increase and the energy bill increase, we believe these adjustments were necessary, but the economy slowed down, which is less serious than the worse consequences that would have emerged had these measures not been taken.

[LA PRENSA GRAFICA] **What does 1996 require to be better than 1995?**

[Vilanova] We have reached a point where the ball is in the hands of the state, the state being defined as

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the whole public sector, not necessarily the executive alone. Our first remark is that it is necessary to outline sector policies in the agricultural, industrial, tourism, and small- and medium-size enterprise areas. The latter deserves a special paragraph, because it creates the largest number of jobs. These sector policies, which are like refining policies, should try to rescue these sectors, which have been harmed by the stabilization process, and should be given an impetus of their own. In addition, we have to initiate a strong process of modernization and optimization of the government apparatus. The government is committed to giving the economy a considerable impetus again.

[LA PRENSA GRAFICA] **Just that?**

[Vilanova] Also, a variable we regard as important to implement on a short-term basis is to seek the autonomy of the Central Reserve [BCR]. In other words, the BCR should no longer be controlled by the executive but operate autonomously on a long-term basis so we can ensure that the country's monetary policy will be handled technically rather than politically.

[LA PRENSA GRAFICA] **Has there been much political influence in the BCR?**

[Vilanova] No, I mean we think that what the BCR has been doing in the recent past is right and that the bank has largely been managed technically. Investors are interested, however, in long- term operations. Consequently, we have to ensure that the economic policy will continue to be handled technically and that it will not depend on anyone's personal will. The BCR's organizational structure should be such that it is impossible for the bank to be governed personally. For instance, this implies that the BCR should not be a member of the economic team but, rather, an institution out of the executive's sphere.

[LA PRENSA GRAFICA] **Were you people concerned about the BCR's pressure measures, which have even led to rumors of devaluation?**

[Vilanova] It was a source of concern in the sense that legal deposit increases surely create liquidity pressure throughout the system and will eventually affect the development of the enterprises. Nevertheless, we understood this pressure to be necessary, and to keep the short-term effect of this measure from being too serious, the government and BCR should understand that this measure should not be enforced either too drastically or on a short-term basis. I am under the impression the BCR has already understood this point.

[LA PRENSA GRAFICA] **Another reason for private enterprise being upset was the fiscal harassment and poor practice. Do you think this situation has improved in the past few days?**

[Vilanova] We feel all this tends to improve. We believe the government understands. Here again, we have to mention the need to update the state. We must see to it that all these procedures are changed so the supervision process on the part of the fiscal auditors is not so subjective. Along the same lines, we believe another important step that should be taken in modernizing the state is updating the Income Tax Law. We understand that a proposal will be presented to the Legislative Assembly in January. It is very important for this law to meet the country's new needs.

[LA PRENSA GRAFICA] **How should this law be amended?**

[Vilanova] It is necessary to lower the income tax, which castigates productivity and investment, as much as possible to the extent that investors, both local and foreign, can be benefited.

[LA PRENSA GRAFICA] **And employed workers?**

[Vilanova] It is necessary to reduce the rates for employed workers, because the current tax burdens them the most. If these rates are reduced, it will produce more resources that would go into the private sector rather than in the public sector. People would have enough resources so as to generate savings at a domestic level, and the economy would in fact begin to recover. Because we already have a controlled fiscal deficit, we believe an effort could be made in this direction.

[LA PRENSA GRAFICA] **Would this involve a reduction of revenues for the state?**

[Vilanova] This should come hand in hand with modernization. In addition, we already have an adequate VAT of 13 percent, and, in fact, the vitalization of the economy will cause an increase in income tax revenues. Moreover, we believe we should examine the income tax issue from a different perspective. We believe tax reduction will result in fewer incentives for tax evasion, and therefore, income tax revenues will not drop but will increase.

[LA PRENSA GRAFICA] **Is private enterprise complying with its own modernization?**

[Vilanova] That is why I said earlier the ball is in the government's court. The private sector already has been involved in this process for seven years. In this adjustment process, the government has actually done very little to achieve its own modernization and efficiency. We feel this is the reason for the economic slowdown this year (1995).

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We believe another critical issue is the privatization of the communications, energy, and water distribution sectors. Equally critical are the privatization of ports and airports as well as the construction of roads necessary to facilitate the mobilization process of all of the country's resources. This requires large investments the government is unable to make.

[LA PRENSA GRAFICA] **Is Salvadoran private enterprise capable of reaching the same level of foreign investment?**

[Vilanova] Of course. Shortly we should have to maintain a balance. It is the government's responsibility to maintain a balance so we do not switch from a state monopoly to a private monopoly but, rather, maintain a market that will operate for the benefit of all.

We also believe a new law or reform regarding retirement funds are crucial, because it would provide significant resources for all of the projects necessary for the private sector.

Furthermore, we believe it is necessary to reform the Superintendency of Banks and Financial Institutions [Superintendencia de Bancos y Instituciones Financieras] to create a separate Superintendency of Securities that will exclusively control the Stock Exchange, another institution that needs to change its dynamics.

[LA PRENSA GRAFICA] **But 1995 was a very convulsive year because of resistance to reforms, particularly by the labor unions. How can we face the opposition to these changes?**

[Vilanova] We should look at the 1995 process within the framework of the country's reality. Right at the beginning of last year, there was a significant discussion of the measures that were to be implemented. We always have said the fact this discussion was made publicly was greatly beneficial.

Unquestionably, this causes confusion, but in the end the measures that are being implemented are adequate, although not perfect, within the frameworks that are considered adequate to give new dynamics to the country. We believe we should be optimistic about the discussion of these measures. It is necessary right now to be aggressive and to implement nontraditional measures.

In this regard, we believe the government has had enough force to propose various pathways for the nation in general and to correct anything other sectors have not accepted.

[LA PRENSA GRAFICA] **It is said poverty is still the country's biggest problem. How will this issue be combated?**

[Vilanova] We believe this will be done with all the means we have mentioned. There are policies for sectors. We have to see how the countryside recovers. This recovery is perhaps the most essential one to generate an adequate amount and type of jobs. Security is most important, and the search for adequate public security is essential. We have to quickly increase the number of policemen so violence is checked.

Everything has to move toward peace, and this is difficult. At this difficult moment in the country, all the sectors must understand this process, make their best effort to facilitate measures that must be adopted, and develop tolerance. Not everything is going to be done to our liking, but it will be done in a way the majority will find acceptable and in an adequate framework.

[LA PRENSA GRAFICA] **Has there been any progress in the struggle against crime?**

[Vilanova] Of course. The police form an important part of the institutional framework. Abidance with the peace agreements forms an important part of this, and agreements are being implemented. The police have problems; we all saw that in 1995, but all this is being resolved.

All this leads us to feel optimistic, because corrections are taking place in the various institutions that are establishing their own personality. The same goes for the Supreme Court of Justice, which is demonstrating its autonomy. This forms an essential part of the democratic process.

[LA PRENSA GRAFICA] **You are giving a positive report. Do you believe there are communication problems among government institutions?**

[Vilanova] We look at this with the frame of mind that everybody has problems. The important thing is to see how problems are checked and to see whether corrective measures are being adopted. We must admit that nothing is perfect and that we must be tolerant when we notice defects, to accept imperfection, and to see how it functions within the process.

In examining the fact that the government may have or may not have adequate communications we must consider that it has a difficult task, that its communications work is complicated and that the implementation of its orders is also a complicated matter. The country will benefit to the extent that we, the other sectors, contribute to improve matters.

[LA PRENSA GRAFICA] **Could we say then that 1996 will be the year of modernization, tolerance, and consensus?**

[Vilanova] We believe so. It is important that all sectors see this. The year 1996 is about to be the year when the transition period flows into a dynamic process in which the economy may grow by itself.

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Guatemala

Guatemalan Congress Objects to Budget Handling

PA1401211996 Guatemala City PRENSA LIBRE in Spanish 10 Jan 96 p 2

[FBIS Translated Text] The National Congress issued Agreement 1-96 at 1200 on 9 January, objecting to the way the executive branch and 10 decentralized autonomous entities handled the 1994 budget. Congress notified the attorney general and Public Prosecutor's Office (MP) of its decision in the hopes of bringing various officials, including Guatemalan President Ramiro De Leon Carpio and Finance Minister Ana Ordonez de Molina, to trial. This is the first time that such a move has been taken since the right to object was approved in 1982. All 41 deputies present voted in favor of this objection, including 32 from the Guatemalan Republican Front (FRG), five from the National Union of the Center (UCN), two from the Guatemalan Christian Democracy (DCG), and two from the National Liberation Movement (MLN).

Deputy Manuel Guevara Amezquita, president of the commission that prepared the report recommending the objection, said: *We will now send this objection and the necessary evidence to the MP to initiate legal proceedings against all of the officials involved in various crimes, including misappropriation of funds.*

The resolution could be considered a sly move on the part of the FRG bloc, which managed to get the consent of the few deputies who attended Congress in view of the fact that not one deputy from the National Vanguard Party (PAN) attended the special plenary session.

When DCG Deputy Lizardo Sosa requested permission to explain his vote, he said: *Any deputy with common sense should vote in favor of the commission's recommendation. The executive branch and various decentralized institutions apparently committed violations when implementing the budget.*

Contents of the Report

The commission found 8,483,061,815.96 quetzals in *questionable* revenues and 6,679,541,050.67 quetzals in *questionable expenditures* upon reviewing the executive branch's handling of the budget. These revenues pertain to the renegotiation of bonds, foreign financing by currency conversion, increased issuance of bonds in 1994, domestic financing of bonds by previous budgets, and unbudgeted foreign financing. In addition to the Guatemalan Presidency, the following ministries have been linked to these expenditures: finance; foreign relations; defense; education; public health and social welfare; labor and social security; economy; agriculture; and communications, public works, and transportation.

The commission also noted that the investment budget had not been implemented. This finding proved significant in influencing Congress to object to the following decentralized entities' handling of the budget: Guatemalan Autonomous Sports Confederation [Condeferacion Deportiva Autonoma de Guatemala], Guatemalan Railroad Company (FEGUA), Guatemalan Telecommunications Enterprise (Guatel), Municipal Development Institute (Infom), Guatemalan Social Security Institute (IGSS), Guatemalan Institute of Tourism (Inguat), National Institute of Statistics [Instituto Nacional de Estadistica], National Institute of Electrification (INDE), Free Trade and Industry Zone [Zona Libre de Industria y Comercio], and National Institute of Agrarian Reform (INTA).

Guatemalan Commerce Chamber Urges Structural Change

PA1501011996 Panama City ACAN in Spanish 2121 GMT 10 Jan 96

[By Cristina Hasbun de Merino]

[FBIS Translated Text] Guatemala City, 10 Jan (ACAN-EFE) — The Guatemalan Chamber of Commerce today asked the new government, over which Alvaro Arzu will preside starting 14 January, to make the structural changes necessary to guarantee the nation's economic development and to eliminate privileges for any sector.

In an interview granted to ACAN-EFE, Jorge Briz, president of the business organization, said his sector "believes" the new government is "highly positive," because there are many expectations on structural changes and because "we really have all the determination to cooperate, to make tangible proposals."

Arzu, of the conservative National Vanguard Party (PAN), won the runoff presidential election on 7 January with 51.22 percent of the votes cast over lawyer Alfonso Portillo, of the Guatemalan Republican Front (FRG). Arzu will take over his post on 14 January.

Briz said that thanks to Arzu, "we have a big opportunity to mend the mistakes of the past" and that to do so he must "make major and structural decisions on such significant issues as the economic and social fields."

The business leader recognized that there are serious problems of abject poverty, poverty, lack of infrastructure, health, education, housing, and security; thus, he affirmed, it is important to strengthen the new government and its institutionalization, especially because of the challenges the globalization of the world economy poses.

Briz believes the most significant challenges in the economic field are the lifting of customs tariffs and

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the elimination of privileges for any sector and customs barriers so Guatemala will begin an efficient phase of modernization.

He also said the new government must break up the monopoly of and privatize state enterprises, because by doing so a monetary problem will be resolved in Guatemala, where the government owes a large amount of money to the central bank.

According to government sources, the balance of the debt the government owed the Bank of Guatemala [Banguat] amounted to approximately 6 billion quetzals ($1 billion) by late 1995. As long as this debt is outstanding, Briz said, Banguat will continue intervening to neutralize the liquidity, because "certain atrophies will be created in the market" otherwise.

If the government privatizes and pays, we could have lower interest rates and an exchange rate "much more open and real," in addition to sending a national and international message that "we want to begin a system of efficiency, productivity, and generation of wealth," which will redound to new investments.

On another subject, the Chamber of Commerce president said the state-owned companies offer services that will facilitate production to the extent that they are more efficient; thus, it is also necessary to move forward with a clear plan, as well as with a fiscal reorganization that will be efficient, simple, and applicable to everyone, in this regard.

Briz affirmed that corruption is one of the problems the new government must confront. This issue is "a delicate one which is linked to the levels of impunity and which we must face in a drastic manner. [no closing quotation mark as received]

It is important for Arzu to confront the fight against violence and a good administration of justice, because investments and development depend on security. He placed the domestic armed conflict the country has experienced for 35 years in this context; he described the armed conflict as "absurd," because all this time of violence "only made us poorer, made us confront one another, and not a single problem was solved, but social problems worsened."

He added that the Chamber of Commerce is proposing that the guerrillas "lay down their weapons. If we are living in a democracy that will incorporate itself into the institutional, democratic, and legal systems from within, let us work together to better the country."

On another issue, Briz said he was not pleased with the advances of Central American integration and affirmed that "the path we are still following is one of protection and privileges. We indeed believe in an effective regional integration in which we will be able to join capitals and undertake joint projects for ports, airports, roads, and even for such significant domestic issues as security, health, and education," he said.

Guatemalan PAN Official Elected Congress President

PA1801011196 Guatemala City PRENSA LIBRE in Spanish 15 Jan 96 p 4

[FBIS Translated Text] After making a commitment to fulfilling electoral promises and to working within the framework of law and democracy, Attorney Carlos Alberto Garcia Regas, a member of the National Vanguard Party (PAN) legislative wing, yesterday assumed the presidency of Congress. He obtained the favorable vote of 60 new parliamentarians, who yesterday also assumed their legislative seats.

Garcia Regas will be joined in leading the legislative branch by PAN Deputies Jorge Rolando Barrientos Pellecer and Rafael Eduardo Barrios Flores, as first and second vice presidents, respectively, while the office of third vice president will be held by Rudio Lecsan Merida of the Democratic Union, UD.

The offices of first to third secretary will be held by Enrique Alejos Close, PAN; Froylan Villatoro San Jose, of the National Union of the Center, UCN; Macario Efrain Oliva Muralles, PAN; Ana Maria Vargas de Fortin, Guatemalan Christian Democracy; and Mario Sarceno Jimenez, National Liberation Movement, MLN. [sentence as published]

During the vote, legislator Carlos Alfonso Barrios De Leon, San Marcos representative belonging to the New Guatemala Democratic Front, FDNG, stated that his legislative wing had cast a *scientific and civic* vote, but that it did not accept any leadership position *because it does not endorse an institution represented by the sector that has kept absolute power in the country.*

Meanwhile, the leader of the Guatemalan Republican Front (FRG) legislative wing, which also turned down any position on the board, noted that FRG legislators did not vote in favor of the ticket led by Garcia Regas and that they did not accept positions on the board of directors because there was an *overwhelming majority* and they would not have any decisionmaking power.

He also said that they would wage a constructive opposition in defense of the interests of the people, adding they will insist on the approval of laws that benefit the population which are pending approval, such as the value-added tax (VAT) reduction.

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In his speech, Garcia Regas did not refer to any of the speakers who preceded him and only invited all lawmakers to work together for the benefit of the country. He added he hopes his period will be considered the best ever.

We want to be remembered as the legislature that did the most to fight impunity, corruption, and drug trafficking; the legislature that waged an all-out war against privileges, that managed to decentralize and demonopolize Guatemala, with full respect for the independence of state branches and in the framework of law and democracy, he remarked.

Garcia Regas promised to carry out an administrative reorganization and seek consensus among legislative bloc leaders in order to cleanse the legislative agenda from bills pending the third reading. He concluded by promising to do an inventory of all the initiatives in the legislative commissions.

Guatemala's Unitarian Front Asks Arzu To Sign Treaty

PA2101014296 Guatemala City PRENSA LIBRE in Spanish 16 Jan 96 p 3

[Report by Francisco Hurtarte]

[FBIS Translated Text] A Unitarian Front column of the Guatemalan National Revolutionary Unity, URNG, called on President Alvaro Arzu to sign the peace treaty. The call was made during a meeting held 80 km from the Inter-American Highway near the village of San Jose Chivijuyu, in Tecpan Guatemala, Chimaltenango, from 1400 to 1630 yesterday.

The guerrillas paralyzed the traffic of vehicles and forced a truck driver to block the highway with his vehicle. Once this action was done, the guerrillas started delivering a harangue to approximately 200 people.

The head of the group, who identified himself as *Commander First Captain Oliverio*, said the Unitarian Front operates in the urban areas of the western part of the country.

Several tourists videotaped and took photographs of the rebel action.

Oliverio said in his message: *We have a new president, and we know the electoral process, during this second round, was aboveboard, legitimate, and valid; thus, we are telling Mr. Alvaro Arzu that we have all the willingness and goodwill to continue with the peace talks, but we want peace for all. We want peace with social justice and social content. We do not want a mere signing of a document. We do not want this; thus, we are telling him we are waiting and have all the political will to hold talks with him.*

Oliverio made a call for the government commission to start following up on the peace talks. In this regard, he told the people present: *This is where you too have to demand that true peace be achieved in Guatemala.*

Threatens To Increase Armed Struggle

The guerrilla said: *Either the government sides with the interests of the rich, of that small, powerful sector of the Army and the rich, or it takes up the platform of the Guatemalan people's struggle.*

We are in the best disposition to continue, but if the government instead maneuvers, stalls, and blunders the current negotiations, we are also in a disposition to continue the struggle, to deepen it, and to extend it to higher levels, he said in another part of his harangue.

He said *the agrarian and socioeconomic topics are at a standstill, and we understand it because this is a fact. What does Humberto Preti [chairman of the Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations] say now regarding the negotiation? That it should continue but, rather, without losing out militarily, and we understand this position, because it is not his children, his relatives, his closest friends of a class who are directly involved in the armed conflict, which has more than 34 years of struggle and bleeding and in which the people have contributed the most number of dead.*

Let Arzu, the oligarchy, and the Army know that we want to halt the war, but with firm peace and substance. We have the combative resolve to continue the war if necessary, and if the conditions and situations that originated the war are not ended, then the guarantee of the revolutionary movement will be its weapons, and we will not give them up, he said.

Nicaragua

Nicaraguan Rebels: Government Fails To Follow Accords

PA1501145796 Managua Canal Dos Television in Spanish 0030 GMT 12 Jan 96

[FBIS Translated Text] Former leaders of the 3-80 Northern Front said on 11 January that the rearmed are taking action, because the government has failed to comply with its commitments. The Permanent Commission on Human Rights, CPDH, held a news conference on 11 January to voice its concern over the failure to comply with the agreements signed with the 3-80 Northern Front in exchange for its demobilization in 1994. The CPDH,

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the CIAV-OAS [International Support and Verification Commission of the OAS], Cardinal Miguel Obando's commission, and the LTDH [expansion unknown].

[Begin CPDH Secretary General Lino Hernandez recording] The commission is deeply concerned by this situation, because we served as guarantors of this process to reintegrate the 3-80 Northern Front, which demobilized after the signing of the agreements. [end recording]

The CPDH cited the fact that there is still a suit against 3-80 Northern Front leaders Jose Angel Talavera and Salvador Talavera. The government has also failed to pay for 50 percent of the value of the land purchased by cooperatives established after the demobilization.

The 3-80 Northern Front claimed that the most serious problem is that the government swindled them with the land purchase deal, because it has not yet distributed land valued at $500,000. The front added that this jeopardizes the peace process in northern Nicaragua.

[Begin Salvador Talavera, alias "Commander Esteban," recording] The government and the Judicial Branch will be responsible should this peace process suffer a serious setback. We have trusted and resorted to them as civilians after having disarmed ourselves. We will not assume responsibility for the enormous pressure being applied on us by the rank and file and for the actions that they might adopt. [end recording]

Nicaraguan Commando Group Pledges To Fight Crime

PA1601160296 Managua EL NUEVO DIARIO in Spanish 13 Jan 96 pp 1, 8

[FBIS Translated Text] What appears to be a new armed urban commando group, the self-styled "Special Cleanup Commandos Against Crime [Comandos de Limpieza Contra la Delincuencia]" (CELD), sent a communique to EL NUEVO DIARIO's editorial staff threatening to launch "strikes against common criminals, gangs, corrupt judges, lawyers, pettifoggers, policemen, and other officials with criminal ties."

On a legal-size page of Bond 40 paper and apparently using an electric typewriter, the "Commando" members indicated they are not "white hand, black hand, or paramilitary," but they confessed that their ranks — if they do exist — are full of former Army, police, and Nicaraguan resistance fighters, all kinds of unemployed people, drivers, and relatives of common criminals' victims.

In the communique, which includes five illegible signatures at the bottom, the "Commando" members also stated that "they belong to no political organization or party;" and they indicated that most of them are unemployed, which does not mean they must become criminals.

"Therefore, we rule out the possibility that any increase in our country's crime levels is literally the result of the unemployment provoked by different public administration systems. Instead, we are more radically inclined to believe that each person must publicly accept responsibility for his own actions. Society, in turn, must punish the person or persons who violate established norms and institutions," they stated.

The signatories of the communique from the "Special Cleanup Commandos Against Crime" indicated that they emerged as a need and as a result of the high-level and rampant spread of common crime in Nicaragua, and the National Police's ineffectiveness and inefficiency.

"Even though we are sure that their national budget is one of the reasons why it has become more inefficient, this does not justify the marked lack of concern shown by the highest ranking bureaucratic officials of the Police corps," they added.

These alleged "vigilantes" admit crime cannot be fully eradicated "above all because high-ranking (Police) commanders dedicate more time to their personal interests and welfare than to guaranteeing the safety of citizens who travel along our country's streets and roads."

They stated that rapes, robberies, armed robberies, all types of injuries, homicides, and atrocious murders are often perpetrated in the victims' homes, and these crimes remain unsolved, so the country is slowly becoming a paradise without deterrents against crime.

The CELD members request the citizenry's moral and economic support because they guarantee they have a network of vigilantes and informers in all the districts of the capital and regions of the country, as well as the necessary logistics, for the initial phase of their operations.

Nicaraguan Sandinist Movement Deputies Elect Leaders

PA0901044296 Managua EL NUEVO DIARIO in Spanish 6 Jan 96 p 7

[Report by Edgard Barberena S.]

[FBIS Translated Text] Deputy Alonso Porras Diaz, who has a master's degree in Business Administration, was elected yesterday new leader of the Sandinist Renewal Movement (MRS) faction, a post held by Commander Dora Maria Tellez since the FSLN [Sandinist National Liberation Front] dismissed Doctor Sergio Ramirez as Sandinist faction leader.

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Porras' election occurred according to the statutes and norms that guide the parliamentary faction, the Sandinist group with the largest number of deputies — who will decide with their votes who will be the new National Assembly president on Tuesday 9 January.

The political party's spokesmen told EL NUEVO DIARIO that Alonso, born in Leon on 8 May 1955, was elected just like Doctor Sergio Ramirez and Commander Dora Maria Tellez were appointed to the post.

The sources confirmed that Commander Tellez — who also holds the post of MRS vice president — will work full time in the electoral activities of this party, which launches an offensive this weekend to strengthen itself at national level.

The MRS faction also decided at its first 1996 meeting to elect Doctor Danilo Aguirre as second faction leader. Aguirre is deputy director of EL NUEVO DIARIO and he held the Justice Committee's chairmanship in the previous legislative period. According to parliamentary sources, Aguirre may continue as leader in one of the parliament's important commissions.

Aguirre, born on 2 October 1939, is a lawyer, journalist, former director of LA PRENSA, current deputy director of EL NUEVO DIARIO, former president and founder of the Union of Nicaraguan Journalists (UPN), former professor of the UNAN [National Autonomous University of Nicaragua] and UCA [Central American University], former dean of the Communications Science School, and former secretary general of the Federation of Latin American Journalists.

According to parliament's files, Danilohas been chairman of the Justice Commission for three legislative periods. He was also secretary of the special commission that issued a ruling on the historic constitutional reforms.

Within the contacts established by the factions regarding the new Board of Directors, to be elected on 9 January at 1000, Dr. Aguirre has been mentioned as candidate for a post, but the MRS faction has neither denied nor confirmed the report.

MRS deputies elected Doctor Jorge Samper, chairman of the MRS' Statutes Commission, as executive secretary of the MRS.

MRS deputies also elected yesterday an Executive Commission comprised of Alonso Porras, Danilo Aguirre, William Ramirez, Maria Teresa Delgado, Jorge Samper, and Dora Maria Tellez.

The MRS faction has 17 deputies, the BUS (Sandinist Unity Faction) has nine deputies, the Reflection faction has four deputies, and the FSLN orthodox faction has eight deputies.

Nicaraguan Resistance Party Names Candidate

PA1701231796 Managua EL NUEVO DIARIO in Spanish 15 Jan 96 pp 1, 8

[Report by Moises Castillo Zeas]

[FBIS Translated Excerpt] Radio businessman Fabio Gadea Mantilla's aspirations to run as a presidential candidate for the Nicaraguan Resistance Party [PRN] have been cut short: During the lively congress this political group held Sunday in the Olof Palme Convention Center, the participants elected Enrique Quinonez Tuckler as their candidate.

The political activity, which lasted all day, began following intense lobbying by the two factions of the group, which at approximately 1700 proclaimed the Quinonez Tuckler-Noel Rivera Gadea ticket as the winner, with 179 votes in favor. This defeated the 176 votes that went to Gadea Mantilla and his ticket companion, Luis Fley Gonzalez. [passage omitted]

The new PRN candidate, 36-year-old Enrique Quinonez, who has practically become the youngest presidential candidate in the country's electoral history, told his sympathizers: "We have provided an example of democracy in Nicaragua, and we have reached our first goal. We will continue working to win power in the upcoming elections."

Quinonez, who said he has worked with the rank and file of his organization throughout the country, said that they have the morale necessary to win the government by themselves and "will not become any party's appendix and will struggle with our own resources."

The Resistance Party presidential candidate also said that now the struggle must be directed at bringing all sectors — peasants, workers, businessmen, professionals, and others — to support the party, to unite society, and secure an electoral victory.

Similar statements were made by vice presidential candidate Dr. Noel Rivera Gadea, who urged Fabio Gadea Mantilla to work with the party's candidates to win this year's elections.

Following the announcement of Quinonez' undisputable victory, the august ladies that accompanied Gadea Mantilla cried and tearfully charged that fraud was committed in these elections.

According to a last-minute report, two members of the board of directors have declared in a handwritten note that the Congress is not valid and is voided, a

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clear indication that Fabio Gadea and his boys are not prepared to accept the defeat Quinonez and his group inflicted on them.

Nicaraguan Minister: Reducing Sales Tax Impossible

PA2101041096 Managua BARRICADA in Spanish 18 Jan 96 pp 1, 8

[Report by Maria Antonio Lopez M.]

[FBIS Translated Text] Finance Minister Emilio Pereira has announced at a meeting with proprietors at the Managua Commercial Center that it was impossible to reduce the general sales tax, IGV, as the IMF has recommended. This announcement takes place exactly one year after he announced there would be a reduction that would benefit consumers.

Pereira publicly announced in January 1995 that the IGV would be reduced considerably during the second semester of that year, because the levels of collection had a sustainable behavior. Former General Revenues Director Leonte Lola corroborated his announcement.

Commercial and industrial sectors and the people in general praised the measure, but Pereira said yesterday morning: "We cannot lower the IGV because the electoral campaign is near at hand. Furthermore, the IMF would not allow us to do so with the problems that have arisen and would say we are acting without responsibility."

The merchants proposed at the meeting that the tax be cut to 10 percent during a three-month trial period and agreed to further an awareness campaign among the people. Pereira repeated, however, that "this is not economically feasible in the short term, because we cannot negatively affect a favorable tax for one that is not so favorable." He was referring to the 2 percent municipal tax that has a cascade effect. According to Pereira, the people negatively affected by the IGV will get back on their feet once this tax is reduced.

He added that the government must collect more revenues through the IGV than what it obtained from the municipal tax. The IGV collects approximately 500 million cordovas, and the municipal tax only obtains 200 million cordovas, out of which 65 percent stays in Managua.

Tax specialist Julio Francisco Baez said after Pereira's shake off: "They say now it is impossible to decrease the IGV. Why did they promise it?" He added: "It is a problem of fiscal administration if the excuse is that the IGV cannot be balanced through the taxpayers contributions, but we would have to consider several other points if there are macroeconomic reasons for it."

Panama

Panama Investigates 'Warning' to President

PA1912134495 Panama City EL PANAMA AMERICA in Spanish 19 Dec 95 p 1

[Report by Juan Manuel Diaz C.]

[FBIS Translated Text] An official source has revealed that state security institutions are investigating the origin of a telephone call that warned about an attack on President Ernesto Perez Balladares presumably by the narcomafia.

The source said the voice of a man with a foreign accent made a number of calls to warn that Perez Balladares' car would be the target of an attack along the route he uses daily.

The source indicated that the narcomafia reportedly paid approximately $2 million for the attack but did not provide further details about when it would be staged.

The source said the information was given to the Presidency of the Republic and the National Police to begin the investigations and corroborate the truth of the telephone warning.

On 3 January, the authorities thwarted an alleged plan to assassinate Perez Balladares and his two vice presidents. Ten policemen were arrested and a businessman and PRD [Democratic Revolutionary Party] members from Chiriqui Province were linked to the plan.

Former members of the Defense Forces who are out of the country and who at one time were legally prosecuted, were also linked to the alleged plan to assassinate the president.

Police sources recently affirmed that the president has changed his bodyguards on more than one occasion, because they had not shown professionalism and did not meet the requirements for such a task.

Nevertheless, this information was denied by members of the National Security Council who said the president is satisfied with his security personnel.

The president's security is the responsibility of the Institutional Protection Service (SPI), which was created after the December 1989 invasion and forms part of the Public Force.

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Panamanian Minister Views Ties With Asia, U.S.

PA0901035896 Panama City TVN Television Network in Spanish 1630 GMT 7 Jan 96

[Interview with Foreign Minister Gabriel Lewis Galindo by Luz Maria Noli; place and date not given; from the "Dialogue" program — recorded]

[FBIS Translated Text] [Noli] Foreign Minister Gabriel Lewis Galindo is here with us. We will discuss issues regarding foreign relations, but first I would like to talk about your health.

Rumors are spreading about whether you were still head of the ministry and whether you are going to be able to continue working due to your health. What is really going on?

[Lewis] Fortunately, for those who care about my health, let me tell you I am in perfect shape. For those who dislike me, the bad news is I will be foreign minister for a long time. Let me add that I have been suffering from a viral infection. My respiratory system was working at 30 percent four to five months ago. I did not go to the doctor, and when I did go he told me a virus was causing the swelling. I had to go through treatment to bring down the swelling. I am now recovering. The last checkup showed that my respiratory system was better, and I hope I will be fully recovered in a couple of months.

[Noli] I recall that you went to the United States four months ago. Everybody said it was because you had heart problems.

[Lewis] Yes, that is true. I went there for my annual checkup. I do take care of myself. I did not pass the stress portion of the test on that occasion, maybe because of my weight. The X-rays indicated that a small artery was possibly blocked; therefore, I went to the United States to undergo catheterization. As it turned out, I have had two strong arteries and a small one ever since childbirth; consequently, I do not have any problem. I take good care of myself, but there always are stories about people holding important posts.

[Noli] What seemed to be a heart condition turned out to be nothing; then on this second occasion, you mentioned problems with breathing, which is a serious condition until you are fully recovered. How could this affect your ability to perform your work?

[Lewis] The only problem I have is that I get weary whenever I climb a lot of stairs; apart from this, I am carrying out my regular activities. A foreign minister's main duties are to be seated and to think. This condition has allowed me to dedicate more time to real important issues.

[Noli] How much does this situation make you slow down and stop performing? People close to you have said you work like a motorboat engine.

[Lewis] I recall that when I used to work with General Torrijos, he would say I was like a bulldozer. I will not change. I have been like this ever since birth. I will continue to do so as long as I have the energy. This is who I am. I do not like to do things halfway; fortunately, I am full of enthusiasm and am eager to serve my country.

[Noli] I remember that the first minister I interviewed was Gabriel Lewis Galindo when the Perez Balladares government was installed. Gabriel Lewis Galindo was the promoter, the man in charge of promoting Panama's image abroad. I also remember that shortly after the government was installed and after some of the ambassadors were appointed, they all participated in a seminar to learn about the new image Panama would be portraying. In that manner, they would not only be ambassadors but also promoters of Panama abroad. What happened with all those plans?

[Lewis] That was and still is the idea. I am still promoting the country, and things are going well. We are reaping the fruits. As you know, investors.... [pauses] This is a reality. The assembly last week approved a contract with the people of Evergreen, and they will start working next month. These things do not happen just like that, of course. we have to follow a process. People think that when we announce foreign investments, they will be here overnight, something which is not so. There is a process, and everything is going smoothly.

I will give you an example. Mr. Zebede, our ambassador in Korea, has traveled to Panama three times, bringing back Korean investors. Those Korean investors are definitely going to carry out projects in Panama. The president's Asian tour.... [pauses] which many have criticized, because many people in our country would like to see others fail. In other countries, people are happy when the government is successful; it gives them satisfaction, because the government's success is also theirs. That attitude is something we inherited from Colombia. For example, people in Colombia say when someone is successful: He is disgusting, we must get rid of that. We should always think that the president, in most cases, is interested in improving his country; that view is what I see in President Perez Balladares, a man committed to improving the living conditions of Panamanians.

When he went to Asia.... [pauses] I will mention some of his achievements, real achievements: the project with Evergreen and Eva Airline flights to Panama. In

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addition, the Taiwanese Government has drafted a plan for Panama to help the social sector. I can tell you that as a result of that trip an agreement was signed—the documents are already in Panama—to implement a cooperation agreement for $160 million to improve hospitals, health centers, to equip new hospitals. We had not announced this agreement before, because when the document was signed, it did not specify how many millions of dollars, and that is how I announced it. I can now confirm the exact amount. They have given us credit for $160.4 million at a 3 percent interest rate for 20 years with a five-year grace period. In addition, they have sent donations for $11.4 million. As you can see, we obtained $170 million during our visit to Taiwan. True, it was a big delegation. I must say as a businessman, however, that you must invest if you want to make a profit. I believe Perez Balladares' trip to Asia, with a first class delegation, was very productive. Moreover....

[Noli, interrupting] I want to ask you something before we go on. We will review each specific case afterward. There is one thing I would like to ask you about investments.

The government of Perez Balladares had prepared some sort of timetable or schedule that would be carried out in steps, but it seems this timetable or schedule has experienced a delay, because investments did not arrive with the hastiness the Perez Balladares government and members of his administration had expected. Why—and correct me if I am mistaken—were the investments not received as quickly as they were expected?

[Lewis] Frankly, I never thought we would receive them faster. I understand that the implementation of agreements between governments sometimes is delayed for bureaucratic reasons. We could have started the Evergreen Port project several months ago, but we must meet all the formalities, not theirs but ours. We must review the contracts, prepare the drafts, present them at a cabinet council, and it must go to the National Assembly from there. This process takes time. I never thought.... [pauses] Anyone who thought it was a matter of using a magic wand and things happening miraculously was mistaken. We have used our time efficiently. I believe we are within a program.

The good thing about this government.... [pauses] I will tell you frankly that I have established in the areas under my responsibility a highly efficient mechanism in my relations with the president. He sets the guidelines, we discuss plans, we reach an agreement, and I start working from there on. After we establish a position regarding foreign investors, we refer them to the appropriate authorities

[Noli] You spoke about an investment of 171.8 million [currency not specified], one part in financing and another part in donations. Where is this money? We have complained about the difficult situation this year. Where is this money that cannot be seen?

[Lewis] The president signed these accords when he visited Taiwan. The health minister traveled there later with a delegation from the Health Ministry to put the finishing touches on the accord. The papers have just returned to the ministry and are being processed so the documents required for this transaction can be signed. I hope this money will be disbursed in the next 60 days. This money will be used exclusively for public health. We obtained this sum under incredible conditions from the Taiwanese Government. It will be used to improve existing hospital facilities, to build new hospitals, and to establish health centers all over the country.

[Noli] You said this money was obtained under special conditions for a loan. What are those conditions, how long is the grace period, how much are the interests, what is the repayment term?

[Lewis] This is a loan at a 3 percent interest rate. This rate is way below the cost of money. It is a 20-year, soft loan, as financiers say, with a five-year grace period and a 3 percent interest rate. They have also given part of this money, 11.4 million, in the form of a donation, at no interest. This will help the health sector.

I also believe one of the accomplishments of Perez Balladares' visit is the cooperation of Asian governments to update Canal alternative studies. We have obtained economic support from Japan, Korea, and Taiwan, as well as from the United States. We are going to update the Canal alternative studies so that when the Canal becomes Panamanian, we will be up to date on the modernization of the waterway.

[Noli] I want to change the subject to something else. First, what do we have here in Panama that would make Taiwan, Japan, or Korea invest here as opposed to other countries in Central America?

[Lewis] One of the main attractions is the facility for their ships to arrive in Panama, because they use the Canal route. We have facilities we can offer that Central Americans do not have; that is, the infrastructure along the banks of the Canal that will be turned over to Panama. We could use something tangible we have there, which others do not have.

Third, these Far Eastern countries are always attracted by the special relationship we maintain with the United States, because they see the United States as their great market.

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[Noli] Let us now deal with issues pertaining directly to the Foreign Ministry. Here is a matter of choice. The People's Republic of China has blocked Taiwan's access to the international community. How will we manage to hold relations, very good ones by the way, with Taiwan and China, which is very powerful, because one out of every three [as heard] of the world's inhabitants is Chinese?

[Lewis] I am very pleased with my team at the Foreign Ministry. I meet with my team at 0730 everyday, and we have breakfast in my house before leaving for the ministry. This team assesses all these situations and makes recommendations on what should be done. As for the two Chinas, I can tell you that Panama has a very clear position. The Republic of Panama has maintained a lengthy and fruitful relation with the Republic of China in Taiwan, and we will maintain such diplomatic relations at the same level, but we will also maintain commercial relations with continental China.

I can disclose to you that we have maintained productive talks regarding our commercial relations with continental China. I foresee that such commercial relations will grow through a Panamanian representation in Beijing and a Chinese representation in Panama to handle such matters in coming months.

[Noli] Based on your experience, is this case that of any other country?

[Lewis] Some of them have a similar situation but, rather, the other way around. We have managed, however, to significantly advance our relations with continental China. I can tell you that the results of our efforts will be very important and beneficial for Panama. As for Taiwan, we must continue to promote its investments here. Remember that Taiwan ranks second in the world in reserves. They have $100 billion, much more than the United States. This country is one that can truly export wealth and establish companies here, because Taiwan only has 22 million inhabitants, and thus, I believe Taiwan has the greatest ability to generate jobs in the world at present.

[Noli] You say we will maintain our traditional relations with Taiwan and also maintain a fruitful, commercial relation with the People's Republic of China. You said we are not the only country maintaining a relation of this kind. Some have it the other way around, and yet others established relations with China first and then with Taiwan. What about Hong Kong? It is a very important port for commerce at the Colon Free Zone.

[Lewis] Rest assured that part of what we are negotiating relates to our presence in Hong Kong. We are friends with all world nations. We hope the problems between the People's Republic of China and Taiwan will soon be settled between them via dialogue.

[Noli] Let's talk about another Asian giant, another one that is very much in vogue. We will talk about Japan at the end, because that is another story. What is the story about Korea?

[Lewis] Korea?

[Noli] Yes, Korea.

[Lewis] We have made much progress with Korea. I have visited Korea as a guest of the Foreign Ministry. I have met with the president of Korea. Korea has grown so much that it is seeking investments abroad. They are promoting Korean investments abroad. After my visit, the Korean president instructed that Panama be included in this regard. Our ambassador has already visited Korea three times, bringing Korean businessmen. These people are very interested in everything involving tourism and the reverted areas. A group is coming next week to discuss specific plans with the ARI [Interoceanic Region Authority] for the construction of a huge hotel at the reverted areas.

[Noli] I would like to establish something. All of these investment programs are news, because they appear to be facts; in other words, we are seeing these things in black and white and closer to becoming a reality. Nonetheless, when will the Panamanian people see any specific results?

[Lewis] We are already seeing them but gradually. The first thing I decided to do once I became minister was to get Norvi, the business partner of Petroterminales, to build the Port of Rambala in order to connect Chiriqui Province with the Atlantic Ocean. That is a fact, has been done. Bids have been called. The same goes for Fort Davis where Evergreen will build a port. Now, for example, we have to work on the things the Koreans want to do here.

In addition, our ambassador to Germany has brought a group of German constructors who are extremely interested in seeing what the conditions here are so they can come to work here in Panama. The trouble is that nobody ever looked at Panama when we first took over. We first had to work on improving Panama's image, and we have achieved that design. We have attained that design not only abroad; the Panamanians' self-esteem also has improved. Panamanians know now they can operate the Canal. Panamanians said two years ago we did not have the capacity for operating the Canal. We know today that....

[Noli, interrupting] I agree that a serious effort has been made to improve the international image, and I think that

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has been achieved to a great extent, but I do not agree with you—and you will excuse me for that—when you say.... [pauses] I have always thought Panamanians have been able to operate the Canal. I even believe that from the time when you were ambassador to Washington Panamanians acknowledged the responsibility of the Treaties, convinced we could operate the Canal.

[Lewis] Some Panamanians were convinced of that, but the vast majority thought we did not have the capacity. We have it, and we have always had it.

[Noli] We are talking about the Canal. Japan is our second most important [word indistinct] of the Canal, is that not right? It seems as if Japan, which had a more defined position in previous years, has suddenly been left behind with all this....

[Lewis, interrupting] The Japanese consider the Panama Canal as something that is of priority for them, the reason why they invited President Perez Balladares to speak on the subject. Something very specific came out of that meeting: Japan's support for updating the studies on the alternatives to the Canal. They are determined to help with the finances.

There is something else we must consider now. The Japanese worry very much about their people abroad. The lack of public security we have experienced in recent years has scared the Japanese from Panama, not because they do not like Panama but because of protection for their fellow countrymen. I believe this situation will improve with the appointment of new National Police Director Jose Luis Sosa and the new improvements to the Public Force. The truth of the matter is that the greatest enemy we have toward all our investment promotion efforts is the lack of public security. No matter how much we want people to come here and no matter how much they want to come, once they start suffering the daily attacks....

[Noli, interrupting] I believe there are other problems present, the problem of the rules of the game. I do not believe you can change from one day to the other in the sense that today, for example, other regulations were established. Don't you think this matter is important besides public security?

[Lewis] I believe the rules of the game should be definite, not only for foreigners but for Panamanians as well. President Ernesto Perez Balladares has made it clear.

I think the most important thing in the current government is President Perez Balladares' understanding of history. He wants to become part of history and be remembered as a good president. He, who is a very intelligent man and with whom you can work easily, designates tasks. He knows it is important to be trusted by foreign and Panamanian businessmen.

Evidently, we have to carry out structural changes. The world is changing, and we cannot be left behind. What we are seeing now is reactions to those changes.

[Noli] I recall there was talk some years ago about making Panama more like Singapore; do you remember?

[Lewis] Yes, I remember.

[Noli] It was an attempt to change all the structures in the country. To what extent has the Foreign Ministry returned to that concept? Second, why do we turn so much to Asia, when there is Europe, which has a very important market, more so with its union?

[Lewis] This point is definitely true. We turned to Asia before Europe because we saw that those countries, particularly Taiwan, with its small population and resources, were a logical starting point.

I can give you a scoop. I thank you for this interview, because it gives me the opportunity to disclose the Foreign Ministry's activities to the nation. We have prepared a European tour for the president in April.

[Noli] Where?

[Lewis] To Europe.

[Noli] What countries will he be visiting?

[Lewis] He will visit Germany, France, Italy, and Brussels to discuss issues regarding the EU.

We plan to promote cooperation with the EU in the education sector. We want to promote education with the Europeans as we promote cooperation in the health sector with the Asians.

[Noli] You have not been accused of many things. Many people have talked about you, but you have not been accused of many things. A permanent concern is, however, that you, Foreign Minister Gabriel Lewis Galindo, have a tremendous inclination toward the United States, so much so that we were about to start exploratory talks, but the two countries suddenly announced they were not going to take place. Recently, for example, Cuban Ambassador Mas Zavala complained that the warmth existing between the peoples of Cuba and Panama is not reflected in the official relations. What is happening between Foreign Minister Gabriel Lewis Galindo and the United States?

[Lewis] Allow me to talk about Cuba first. We have very fraternal feelings toward the Cuban people, and between our governments there are good relations based on mutual respect. Publicly, we have maintained our

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position of promoting the lifting of the economic embargo simultaneously with the need for political reforms that would lead to the development of a democratic and pluralist society in Cuba. I am talking about political reforms in keeping with the development of democracy worldwide. That is our position, and we have maintained it at the United Nations and elsewhere.

[Noli] The man ruling Cuba is called Fidel Castro, but you are talking about political changes. What do you mean?

[Lewis] There must be reforms, and if there are none, they will not be able to continue within the circle of countries with democratic inclinations.

[Noli] I have talked to some members of the Cuban Embassy, and they have complained or lamented that Panama has not kept its word of friendship and solidarity with Cuban initiatives. Is that true?

[Lewis] We disagree with the Cubans' initiatives. We have no reason to support something that is not in keeping with Panama's interests. We are here to defend our country's interests.

[Noli] If we are here to defend Panama's interests, let us now discuss the United States. What happened to the exploratory talks and why does it seem the Panamanian foreign minister insists on holding such exploratory negotiations?

[Lewis] If there is someone who has obtained U.S. benefits for his country, I am that person. I have a written document indicating that General Torrijos told me there would have been no treaty had I not been in Washington. I have a similar document from President Carter. These letters honor me. Allow me to say this remark to you: I have specialized in relations with the United States since the times of my friend Omar Torrijos. A fantasy was weaved around Torrijos' position on [word indistinct]. Torrijos and I worked very closely.

I remember the day when he signed the documents with President Carter at the OAS. He then went to my residence—that is, the residence of the ambassador—and told me: Gabriel, we should be pleased. We have removed the perpetuity clause for future generations of Panamanians. Future generations will have the right to decide whether they will welcome the misters [previous word in English]. That will be their decision, not ours. The enemies of any deal with the United States are now claiming this contravenes General Torrijos' principles, but they did not even know Gen. Omar Torrijos. Gen. Torrijos was a pragmatic man and very practical when it came to decisionmaking. You know about the friendship that existed between us.

I maintain with the United States a line of respect, because it also respects me. I have won personal friendships at the highest levels in the United States. I have maintained personal relationships with four U.S. Presidents, and I hope to continue serving my country while taking advantage of my personal ties. The day I realize the United States has lost respect for my country or myself, however, you can rest assured that for me the interests of my country will come before U.S. interests. I think, however, we must be realistic. I think it is necessary to make an in-depth exploration of the possibility of maintaining U.S. military bases in Panama.

[Noli] Why?

[Lewis] There are many reasons. Besides the economic one, I believe Panama's economic future is closely linked to the transfer of the Canal. In receiving the Canal, I believe there should be an economically stable country to ensure stability. All nations of the world require this. If we do not have a use for those bases when the Canal reverts to us, we will have a very difficult economic situation, and this will not be the most advisable atmosphere for Canal administration.

In hindsight, when we negotiated this issue we should have scheduled the departure of U.S. troops and Canal reversion on different dates. The coincidence of the two events will apply too much pressure on us; thus, I would say those bases will be spoiled if the investments we bring fail to generate sufficient jobs. The grass will invade them, because we do have enough funds for maintenance.

This is speculation, however. Let us wait for a study being prepared by economists Galan and Marco Fernandez. We will share it with all active forces and establish a national position regarding this problem. In the end, the most important thing will not be whether we reach an agreement with the United States.

[Noli] I would like to interrupt you to mention two points. The first is that one of your predecessors, Foreign Minister Julio Linares, has said and maintained during the entire term of the previous administration that what was happening was that the United States was decreasing its military presence not only in the United States but also abroad and also that there really was no reason for us to indicate an interest in this issue, because we would lose our negotiating edge; this is one issue. The other is that if what Linares has said about the troop reduction is true, as seems to be evident as based on all the news we receive, why are we going to try to keep those people here?

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[Lewis] We are not trying to keep them here. We are going to hear what the United States has to offer. I, in my life and as a businessmen, have never closed the doors to anyone who has wanted to make a proposal. Simply speaking, the negotiations were stopped then, because we had to make a stop. Our government had not made the necessary consultations with the country's active forces. As soon as we stopped, the president met with the Christian Democratic, Molirena [Nationalist Liberal Republican Movement], and the Civilist parties. I met with Honorable Gloria Young. What I mean is that we have already touched base with all the active forces. This problem does not belong to Perez Balladares and Gabriel Lewis; this problem concerns all Panamanians, and we have to partake in it. We have to get it out of the political sphere.

As I told you, I do not.... [pauses] The issue of the bases is secondary to me. The important thing is why not continue if we have developed very special relations with the United States for almost a century. We have been partners in the construction of the Canal, and they have been here for that period of time. A European ambassador told me the other day: You know something, you are the envy of all Latin America because of the type of relations you have with the United States. The United States is the world's largest economic power and the market everyone wants. It would be absurd for us not to continue developing those very special relations with the United States in the future, with or without bases. Furthermore, I want to tell you I believe our relations with the United States now are at their best ever since I have been linked to the ties with the United States since the Omar Torrijos era.

[Noli] Relations between Panama and the United States.

[Lewis] Yes. We have a team. Both we and the United States have a team. I am certain we will have very good relations with this new ambassador.

[Noli] There is something very unusual, however. We, the regular Panamanians who, evidently, do not move in diplomatic circles, are under the impression that when the Perez Balladares administration initiated its term, the prospects with Clinton were much better, because Clinton had much more clout than he has now when, for example, he is having a monumental conflict with the U.S. Congress. Insofar as what I describe as the U.S. President's clout has decreased, in that same measure our excellent ties also have decreased.

[Lewis] I want to correct you. President Perez Balladares has been the only Latin American president who has visited the United States twice during the Clinton administration; one of the smallest countries, and the president has been there twice already. His relations with the executive are extraordinary. His relations with the legislative branch are also very good. We met, for example, with Republican and Democratic Party leaders in Congress during our past visit. I can tell you that I really have friends in both parties, and those personal relations have served to strengthen our position with the legislature.

The truth is that I am pleased with how our relations are advancing. There is absolute respect for Panamanians. The United States is fully complying with the agreements it has made with us. The Southern Command is withdrawing all its troops in compliance with what was agreed.

[Noli] No trouble about that. Panamanians are upset, however, at having a finger constantly pointed at Panama as a money laundering place and all those things. There always will be money laundering wherever there are banks, right? Panamanians are somewhat upset at hearing this remark constantly.

[Lewis] The truth is that we have improved much in this area. In the most recent assessment of Latin American countries, the United States mentioned Panama as one of the countries that has cooperated the most, but some people are living in the past, not in the present.

The first thing I did when Perez Balladares asked me to accept this position was to determine the problem, because it was necessary to change Panama's image, and we have attained this design to a large extent. Our closeness to Colombia makes Panama attractive for international mafias. What we have to do is control them, because they are harming us Panamanians, not the United States. Drug consumption has increased in the country to a large extent, because they use Panama as a transit country.

[Noli] Tell me something. People who travel to Asia believe the PRC at the turn of the century will be as powerful or even more powerful than the United States is at present. We are talking about the entire world's population. One out of every three [as heard] people in the world is Chinese. This point is what we have in mind. Do you think we will be able to maintain a relationship with the PRC as stupendous as we have maintained with the United States?

[Lewis] The Chinese, the people from the East, measure time by centuries, not days. These things take time. China's unity will take time, yet they are moving in that direction. We believe Panama's interests are very well served by maintaining diplomatic relations with Taiwan and commercial relations with the PRC. This position does not affect at all either the economic or political interests of our country.

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[Noli] Are you satisfied with how things developed during this one and a half year you have held the post of foreign minister?

[Lewis] I will tell you something. I am personally satisfied, because I have been working with a person who has well-defined objectives and goals—Dr. Perez Balladares. He and I have established a special working system that has been yielding results. I can see them. It is not a matter of dreaming dreams. I have been a very realistic person. I have plenty of business experience and know how much it costs to establish something new, and we have succeeded.

We are prepared to make 1996 a truly new year, but there are many pessimists here. People always think the worse. Panamanians should view the future a little more optimistically; it is necessary. People should look at specific things, and they are specific. No more unrealistic dreams. Large investments are being made.

Panama's Immigration Director Discusses Cuban Rafters

PA2401184096 Panama City EL SIGLO in Spanish 26 Jan 96 p 8

[Report by Diamar Aparicio B.]

[FBIS Translated Excerpt] General Immigration Director German Gil Sanchez asserted yesterday that the "Cuban rafters" who are illegally on our territory can be deported because the agreement with the United States was that "those who escaped would have to be returned to the military bases."

"We have to consult with the U.S. Embassy, as the agreement established that the Cubans who escaped would have to return to the bases," he noted.

Gil Sanchez' statements were made after it was reported that two out of the three rafters, who escaped from camps located in the canal area in 1994, had been arrested by the police.

The official said he had arrived in the country recently and did not have all the information about the situation of the Cuban rafters." However, he said he would be making official statements on the issue in the next 72 hours at the latest. [passage omitted]

Panamanian Party Head Assails Presidential Authority

PA0501195196 Panama City MAGAZINE DOMINICAL EL SIGLO in Spanish 31 Dec 95 p 8

[Report by Diamar Aparicio B.]

[FBIS Translated Text] Carlos Abadia, Civic Renewal Party president, has described as an "attack on democracy" and a "disguise for a civilian dictatorship" the fact that the chief of the executive branch, Ernesto Perez Balladares, will legislate everything pertaining to the export processing zones [Zonas Procesadoras para la Exportacion] (ZPE's) during the months the Legislative Assembly will be in recess.

Abadia has said this action undoubtedly constitutes a menace and demonstrates once more that the ruling PRD [Democratic Revolutionary Party] is subtly seeking a disguise for a civilian dictatorship to handle the country.

"These situations worsen even more when we observe a deaf president, because the entire nation has protested against the purchase of an aircraft, the ministers' salary increases, and the destruction of the Metropolitan Park, but he has ignored all these protests, because he has misinterpreted his authority," Abadia added.

Aware of the "dictatorial" experiences of the current rulers, he has said the fact the executive branch can legislate during the three months of recess of the Legislative Assembly becomes a fateful precedent for the nation.

The statements the Civic Renewal Party president has made stemmed from the fact the parliament on 29 December approved Bill No. 88 granting "precise, special authority" to the chief of state to legislate matters concerning the ZPE's during the recess of the legislative branch.

"This action will elicit dark consequences for the country, adversely affecting its economic situation even more, because intelligent businessmen will be quite aware that this situation will elicit political instability," Abadia has said, adding that this is why this is another mistake by the government of Perez Balladares and an action adopted in the early hours of the morning, as the ones the PRD members used to adopt.

The politician also has affirmed that this authority to govern through decree-laws could make the executive branch commit excesses in its governing authority, because this measure was not consulted. It was approved, however, demonstrating that this action was "deliberately and treacherously" carried out.

Abadia has said all Panamanians must be aware of the effects this situation may elicit. Thus, the party he heads will remain alert to the actions the president will carry out.

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Panamanian Parties Protest President's 'Special Powers'

PA0601171296 Panama City EL PANAMA AMERICA in Spanish 5 Jan 96 p 1a

[FBIS Translated Text] Following yesterday's promulgation of the law granting special powers to the president, the opposition parties have reiterated that the PRD [Democratic Revolutionary Party] is violating the legitimacy it earned at the polls, while the Panamanian Exporters Association (APEX) has warned that the government will violate the Constitution if, by using that power, it creates privileges favoring foreign investors.

The ability that the National Legislative Assembly gave President Ernesto Perez Balladares to govern by decree on matters pertaining to the processing zones became official yesterday with the promulgation of Law Two of 3 January 1996 in the GACETA OFICIAL no. 22,944.

During a news conference, the Christian Democratic Party, Arnulfist Party, Authentic Liberal Party, Nationalist Liberal Republican Movement, and the Civic Renewal Party charged that these special powers "consolidate an absolute power typical of an authoritative regime, which is unacceptable in a democracy."

The parties announced they will band together to "intensify their oversight" of the Perez Balladares administration.

The Papa Egoro Movement, for its part, warned during a news conference that the special powers granted to the president represent a "danger" to the country's democratic process. The movement stated that giving the president the "power" to legislate, approve, and execute laws unilaterally is something the PRD has wanted to pass "unnoticed" under the "shadow" of the amnesty bill.

APEX President Dario Selles, meanwhile, said the powers granted to Perez Balladares face obstacles from Panamanian legislation and international agreements. Selles explained that the president will not be able to grant foreign investors too many benefits because the Constitution bans privileges.

Selles added that agreements signed with the International Labor Organization mandate respect for certain labor rights and agreements with the WTO ban subsidies to companies established in processing zones.

Selles recalled that a 1992 lawsuit by the Confederation of Workers of the Republic of Panama (CTRP) for labor irregularities in the processing zones almost excluded Panama from the benefits of the Caribbean Basin Initiative.

The CTRP last week declared itself at a state of alert to prevent the president from including precepts that violate the labor code in the special legislation on processing zones.

Panama's Liberal Republican Party President Resigns

PA1001233496 Panama City Circuito RPC Television in Spanish 2300 GMT 5 Jan 96

[Report by Jose Garibaldi from the "RPC Television News" newscast]

[FBIS Translated Text] In a note on 5 January addressed to the directors of the Nationalist Liberal Republican Movement [Molirena], Guillermo Ford decided to resign from the presidency of this party. Molirena Secretary General Luis Guillermo Casco Arias announced the decision, adding that Guillermo Ford did not give a reason for his resignation:

[Begin Casco Arias recording] I am the first to be surprised, because he gave no sign or warning on this decision. I cannot understand why, and this is regrettably the case. [end recording]

Following Ford's resignation from the Molirena leadership, Molirena Vice Presidents Jorge Ruben Rosas, Delia Cardenas, and Guillermo Quijano must decide among themselves who will serve as president:

[Begin Casco Arias recording] The statutes specify how the president is to be replaced when he is absent. The vice presidents, who will meet soon, will decide who will be the person in charge of the party's affairs. [end recording]

According to Casco Arias, this meeting will take place this weekend, so as to elect the person who will temporarily fill the vacancy left by Ford.

Panamanian Party Appoints New President

PA1301142996 Panama City Circuito RPC Television in Spanish 2300 GMT 11 Jan 96

[From the "RPC Television News" newscast]

[FBIS Translated Text] [Station announcer] In view of the crisis that erupted within the Molirena [Nationalist Liberal Republican Movement] in the wake of the resignation of its president, Guillermo Ford, Jorge Ruben Rosas was named to replace him today.

[Begin recording] [Molirena leader Delia Cardenas] We have waived the right granted by Article 53 of the statutes to occupy provisionally the vacancy left by former President Ford, since the appointment is made based on alphabetical order.

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[Reporter Vicenta Melania Herrera] According to Delia Cardenas, who was accompanied by vice presidents Guillermo Quijano and Temistocles Diaz, in addition to Secretary Guillermo Casco Arias, the rule was waived because they regard it as the best political strategy they have now. The new president, as well as the former president, say they know the different currents that exist within that party, but affirmed that they can prevent splintering.

[Rosas] I hope to have the support all those opinion currents. I hope that the groups within the party work in a coordinated manner with the Molirena leadership to improve its standing and strengthen its stance in the national political climate.

[Herrera] In the opinion of Guillermo Ford, his involvement in the party does not end with his withdrawal from the presidency, but noted that the participation of new figures is a must now.

[Ford] In 1997, we will have our national convention, where all the leaders will be replaced. I wanted to impose great discipline to democratize the party from within. I want to see new figures in 1997 vying for different posts within the party.

[Herrera] For the party's top leaders, Guillermo Ford created a temporary crisis with his resignation. The former president said that for months he tried to consolidate unity something that he saw moving father and farther away. [end recording]

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Argentina

Argentina Upholds Stance Against Nuclear Tests

PY2401135996 Buenos Aires TELAM in Spanish 2358 GMT 23 Jan 96

[FBIS Translated Text] Buenos Aires, 23 Jan (TELAM) — The Foreign Ministry today reported that during a meeting with U.S. Secretary of State Warren Christopher in Washington on 25 January, Foreign Minister Guido Di Tella will reinforce the Argentine stance in favor of a treaty banning nuclear tests.

The diplomatic source added that Di Tella would also uphold the Argentine Government commitment "to continue to work toward a patent law that would conform to GATT standards."

The source added: "We are striving to achieve full conformity" between Argentine law and GATT standards.

Di Tella will meet Christopher in Washington on 25 January. During that meeting, he will uphold the Argentine "nonproliferation" stance and will emphasize the need to sign in 1996 "a treaty banning nuclear tests" like those carried out by France on Mururoa Atoll.

The source noted that the administration of President Bill Clinton supported the Argentine desire to sign a treaty against nuclear tests this year.

The foreign minister will travel to New York on 24 January, and go subsequently to Washington. He will broach with the U.S. secretary of state "the situation over the Malvinas Islands," especially concerning the agreement on oil exploration and exploitation signed with the United Kingdom.

Di Tella and Christopher will also review the situation in Bosnia and the Middle East peace process, especially the relationship between Syria and Israel.

They will also discuss the situation in Russia following the victory achieved in the November congressional elections by a coalition that included the Communist Party, and prospects for the upcoming presidential elections in the Russian Federation.

The foreign minister will subsequently travel to London where he is scheduled to meet with Malcolm Rifkind, his British counterpart, to review oil and fishing agreements.

Argentina: Lack of Faith in Democratic Institutions Seen

96SM0051A Buenos Aires LA PRENSA in Spanish 2 Jan 96 p 2

[FBIS Translated Text] **Society Does Not Think That It Is Living Under the Rule of Law**

The justice system is not independent of the executive and legislature. Dissatisfaction with the work of Congress has reached unprecedented levels. Corruption will continue to prevail in Argentina. Four years before the third millennium, the polls show a disillusioned society that harbors no great hopes about the year that has just begun.

Argentina is going through a crisis in which its inhabitants are mistrustful of the fundamental institutions of democracy. Thirteen years after democracy was reestablished, society does not believe that it is living under the rule of law and feels that the three branches (the executive, legislative, and judicial) are not discharging their duties and are not independent of each other.

The Argentine people are categorical about this. The justice system is not independent of political power; there is mounting dissatisfaction with the members of both chambers of Congress, and people are expressing their certainty that corruption will not decline. Such views speak to how disillusioned society is with the system that it has developed for itself.

This can be gathered from a series of polls conducted by the consulting firms Demoskopia (629 individuals in October and 601 in December in the Federal Capital and Greater Buenos Aires), Ricardo Rouvier and Associates (850 people between 20 and 23 December 1995 in the Federal Capital and Greater Buenos Aires), Graciela Romer and Associates, and the Union for a New Majority Studies Center.

According to Demoskopia, 76 percent of the population does not describe Argentina as having the rule of law; most people feel that the government does not respect the National Constitution and that the three branches of government are not discharging their duties. The situation looks even worse when we learn that people are especially dissatisfied with the members of both houses of Congress. Moreover, in response to the question "Would you say that, by and large, the government respects the National Constitution," only 18 percent said yes while 64 percent said no.

These data were gathered before Adolfo Vazquez was appointed to the Supreme Court and prior to the conflict brought on by the naming of the new senators. Demoskopia conjectures that public opinion might be even more negative in the wake of these two developments.

The study indicates that people do not feel that their deputies and senators represent them, which could be a sign that the democratic system is not working in this respect either. Only 0.6 percent are "very satisfied" with how their legislators are representing them; 7.7 percent are "quite satisfied"; 40 percent voice little satisfaction,

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and another 44 percent say they are "not at all satisfied" with their representatives in Congress. According to the poll, the public is asserting that they do not have a voice in governing the Republic through their representatives.

The polling firm Graciela Romer has looked into the reasons for such views, indicating that "frustrated expectations have contributed to what has come to be called the representation crisis of the political parties in the sense that people have soured in their view of the parties' basic function of turning citizen demands into effective public policies."

"The other side of this crisis," it adds, "is the growing disillusionment with and criticism of political leaders and parties." In this connection, frustrations and unsatisfied demands create feelings that lead to apathy and cynicism about the political system and its leaders.

In the view of Romer, the level of public confidence in Congress is relatively low when compared to other institutions and segments of society. Over the past two years it has averaged 10 points higher than confidence in organized labor but at the same time 30 points lower than in the mass media.

Meanwhile, Ricardo Rouvier concludes in its survey on the citizenry's expectations for the new year that people believe that corruption will not decline, that the justice system will not become independent, and that the senatorial candidates being investigated by the courts will ultimately be confirmed in their posts, thus reflecting a pessimistic outlook among the population.

Demoskopia furnishes further data in this regard. In analyzing its findings, it recalls that the underlying principle of democracy is not only the separation of the three branches, which makes checks and balances possible, but also the need for them to function efficiently and discharge their duties.

According to the findings of its poll, the opinions of the population in this regard suggest that the three branches are not passing this test. Just 10 percent are of the opinion that the three pillars of democracy and the state are fulfilling their duties, while 45 percent "would not say that," with 31 percent maintaining "in part, yes and no" and 14 percent not having formed an opinion. These "data are not gratifying either, if we demand that the people in charge of state institutions indeed comply with the commitments that they have made to society."

[Box, p 2]

Congress and the Executive on an Equal Footing

The Demoskopia poll focuses on what it regards as "a problematic area that questions democracy and the rule of law." The National Constitution establishes a presidentialist system, not a parliamentary democracy. Yet, aside from certain specific presidential powers, in Argentina it is Congress that makes the rules governing their relationship and establishes the framework within which the executive branch must operate.

The poll indicates that although 36 percent of the respondents think that Congress and the president ought to have equal shares of power in a democracy, just 9.5 percent feel that the chief executive ought to have more power than Congress, while 48 percent think the opposite.

[Box, p 2]

No One Is Exempt

The institutions of democracy are not exempt from this crisis of representation and disillusionment that Argentine society seems to be going through today. According to a study by the Union for a New Majority Studies Center, the Judiciary, Congress, and the political parties have images that are just barely better than those of the country's most heavily criticized institutions (these being the General Confederation of Labor, CGT [General Confederation of Labor], and the unions).

The poll shows that the judiciary has a positive image among 7.7 percent of the people, a so-so image among 32.2 percent, and a negative image among 55.8 percent. As regards Congress, the numbers are: positive, 6.9 percent; so-so, 36.8, and negative, 51. For their part, the political parties enjoy a positive image among 5.6 percent of people, a so-so image among 46.1 percent, and a negative image among 45.2 percent. Far in the lead are the mass media, which enjoy the best image among citizens, getting a positive rating from 47.7 percent, a so-so rating from 36.8 percent, and a negative one from 13 percent.

Does the Rule of Law Exist in Argentina? (percentages)

Response	1993	1994	1995
Yes, it does	19.5	14.6	12.2
No, it does not	58.7	62.8	70
Undecided	20.2	22.6	17.3

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Confidence in Institutions and Social Sectors (percentages)

Institution/sector	August 95	December 95
Public education	63	68
Mass media	50	52
Church	45	54
Congress	24	20
Police	23	16
Industry/business	22	22
Political parties	18	15
Judiciary	13	17
Organized labor	6	9

Bolivia

Bolivian Labor Leader: CIA Presence 'Very Serious'

PY2501015796 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 24 Jan 96

[FBIS Translated Text] The presence of 007's, James Bond made in U.S.A. [preceding four words and country acronym in English] is being questioned by leaders of the Bolivian Labor Federation [COB].

For the COB the presence of the CIA is something that is very serious for the country.

If once upon a time it carried out its activities covertly, then currently they are overt and in Government House itself.

Although its presence is now overt, they will always carry out covert intelligence and counterintelligence tasks that could affect those who are now acting as hosts.

For the COB, national dignity and sovereignty are at the lowest level from the viewpoint of the government.

It is believed that giving help to intelligence services in their fight against drug trafficking is not the only motive that the CIA has in wanting to expand its activities in Bolivia.

Oscar Salas, Bolivia's top union leader, has expressed his concern about the presence of the CIA:

[Begin recording] I believe that they have always been present in Bolivia. This has been said by the U.S. ambassador.

The serious part of the matter is that it will be given a legitimate facade with the approval of the government. That is the serious part because the introducing of the high-ranking directors of the CIA so that they could tell us from Government House that it is going to expand and improve its services in this country indicates that the defense of national sovereignty in our country is at a very low point.

They always did things covertly; now they are doing them from Government House, and this is a very serious problem. [end recording]

Oscar Salas lamented the fact that the president of our country, Mr. Gonzalo Sanchez de Lozada, was not met by any official authority when he traveled to the United States, and yet here in Bolivia a president, and at Government House no less, meets with a policeman who, to top it all, is from the U.S. CIA.

Bolivia Informs UN Group of Coca Eradication Program

PY1801222696 Madrid EFE in Spanish 1532 GMT 18 Jan 96

[FBIS Translated Text] Geneva, 18 Jan (EFE) — Bolivia today informed the UN Commission on Human Rights about its surplus coca eradication program. The Bolivian Government believes this program "is advancing successfully, following international agreements."

Jorge Lema Patino, Bolivian ambassador to the UN organizations headquartered in Geneva, presented a report to High Commissioner Jose Ayala Laso and announced that his government would achieve an agreement with the international community on the deadlines for the 1996 coca crop eradication program.

Lema Patino noted that the program's scope depends, to a great extent, on international assistance, which has been estimated at $15 million per year and which permits eradicating between 5,000 and 8,000 hectares of coca crops.

Ayala Laso hopes that the international community will supply economic support to the Bolivian Government's eradication program, which involves paying $2,500 for each eradicated hectare.

Bolivian Asks UK To Support Drug Enforcement

PY1801000996 Madrid EFE in Spanish 1648 GMT 17 Jan 96

[Report by Carmen Rodriguez]

[FBIS Translated Text] London, 17 Jan (EFE) — Bolivian Vice President Victor Hugo Cardenas today asked the British Government to invest in the privatization of Bolivian state-owned enterprises and to support drug enforcement in Bolivia.

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During the first day of his official visit to the United Kingdom, Cardenas met Malcolm Rifkind, British secretary of state for foreign and commonwealth affairs. Cardenas informed Rifkind of the progress achieved in the privatization process and of the institutional and educational reforms implemented by the Bolivian administration.

Cardenas told EFE that he emphasized to Rifkind his desire for the United Kingdom and other European countries to invest in Bolivia. The Bolivian vice president noted: "We discussed specific projects for sustained drug enforcement in Bolivia."

Cardenas added: "We discussed the financial and technical support that the United Kingdom and Europe could give us in the search for new crops to reduce the significance of the drug related economy."

In remarks to the BBC, Cardenas invoked the principle of shared responsibility between drug-producing and drug-consuming countries for cooperating drug enforcement. He said the source of this problem in his country lies in foreign consumption and domestic poverty.

The Bolivian vice president mentioned trouble in achieving the support of sectors "that will benefit from the crop replacement program that his administration started two years ago." He admitted that, during the first year, "the goal of reducing crops has been neglected in favor of implementing the reform's organizational activities."

Cardenas, who has Aymara ancestors and is the first indigenous person to become vice president of a Latin American country, asked the British Government for assistance in programs to improve the standard of living of Bolivia's indigenous population, which represents a majority.

The Bolivian vice president told EFE: "We asked the United Kingdom and Europe to support educational programs to teach in indigenous languages and in Spanish, to strengthen indigenous organizations, to promote women's projects, and to improve road infrastructure."

He believes that being the first indigenous vice president is "paradigmatic and exemplary" as it involves Bolivia's recognition as a multiethnic and multicultural country.

The Bolivian vice president said: "We are leaving behind the idea of a democracy that merely acts within our cities. Economic development should not ignore the 30 or more ethnic groups that coexist in our country."

Cardenas mentioned the possibility of holding an international indigenous peoples' summit. He emphasized that this idea was welcome by the British and French Governments.

Cardenas discussed with the UK secretary for foreign affairs the holding of a Rio Group meeting (in which a British delegation will participate) in April in Cochabamba, and a Sustainable Development Summit that is scheduled for December in Santa Cruz.

With regard to the Sustainable Development Summit, Cardenas emphasized: "Even though there are people in Bolivia who disagree with it, and who apparently do not want it to be held, a date has been set for the summit and significant progress has been achieved on its agenda. This is an important issue for Bolivia as, in our opinion, sustainable development and environmental conservation are crucial."

Peruvian MRTA Not Fully Dismantled in Bolivia

PY1601110396 La Paz PRESENCIA in Spanish 6 Jan 96 p 6

[FBIS Translated Excerpt] The Armed Forces admitted on 5 January that the Peruvian terrorist Tupac Amaru Revolutionary Movement (MRTA) group has not been fully dismantled in Bolivia, although they emphasize the efforts by the Government Ministry.

This was stated by Reynaldo Caceres, commander in chief of the Armed Forces, who said: "According to all coordinated information and cooperation (with the Government Ministry), the task continues because the MRTA has not been fully dismantled."

Notwithstanding, he asked for time to give a definite military opinion on this very delicate matter.

The media insisted: Do the Armed Forces reject the fact that the MRTA gas not been dismantled?

Caceres said: "I believe, as it has been said, that it has been dismantled, but there are certain factors that must be corrected."

La Paz District Prosecutor Gonzalo Valenzuela said that the prosecutor's office will rigorously implement the law against those who in any way are involved in subversive activities. He added that Peruvian subversives will be tried in Bolivian courts.

He announced that the investigation by the Judicial Police will conclude next week, and confirmed that the Bolivian Foreign Ministry has requested the extradition of Peruvians Luis Alberto Miguel Samaniego and Silvia Gora from Uruguay for using false documents, kidnapping, and other charges.

He confirmed that Peru has adopted the same decision because Samaniego and Gora are also wanted in that neighboring country. [passage omitted]

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Bolivian Ex-President To Run in 1997 Elections

PY1801211696 Buenos Aires TELAM in Spanish 2301 GMT 16 Jan 96

[FBIS Translated Text] La Paz, 16 Jan (TELAM-SNI) — Former Bolivian President Jaime Paz Zamora — whose entry visa for the United States has just been canceled — stated today that he will run for the Presidency in the 1997 elections.

Paz Zamora, who ruled Bolivia from 1989 to 1993 told the press that "with or without a visa, I am going to stand for president because in a democracy like ours, only the vote of the Bolivian people can veto a candidacy for the Presidency."

The former Bolivian head of state put the cancellation of his visa for the United States down to a "misunderstanding" and asserted that he will continue battling on in the political arena "with a view to scoring an electoral victory in 1997."

Two years ago, the Bolivian Congress conducted a probe into Paz Zamora's alleged links to drug traffickers, who might have contributed to his previous election campaign.

The U.S. Consulate sent the former head of state a note informing him of the cancellation of his entry visa. Diplomatic sources explained that Washington just followed the standard procedures for cases in which aliens have been implicated in terrorist acts or involved in international organized crime.

The Movement of the Revolutionary Left (MIR) led by Paz Zamora harshly criticized the measure adopted by the United States and issued a communique complaining about such a measure, which it termed "a recourse that seeks to discredit and politicaiiy condemn him in the run up to the 1997 elections."

Bolivia's Governing Coalition Ends Dispute

PY0901214796 Madrid EFE in Spanish 0041 GMT 9 Jan 96

[FBIS Translated Text] La Paz, 8 Jan (EFE) — The coalition of parties that support the Bolivian Government today buried their differences during the renewal of the "change-provoking pact" and put together a plan to consolidate structural changes and alter others prior to their implementation.

The political crisis began when the Free Bolivia Movement [MBL], a member of the ruling coalition, lost the Sucre mayoralty — the sixth most important in Bolivia — during the municipal council elections. This affected the stability of the coalition because the MBL threatened to walk out.

Lengthy negotiations over the weekend enabled the MBL and its leading partner, the Nationalist Revolutionary Movement (MNR), to sign an agreement, which is considered a "renewal of the change-provoking pact" signed in August 1993.

Antonio Aranibar, the MBL president and foreign minister of the incumbent administration, said the signing of the document enabled his party to recover power spaces, which "for various reasons, had been reduced."

Aranibar added that, given the changes in Bolivia like the administrative decentralization, "it is unthinkable that we should lack a mechanism to articulate the presence of the political parties that comprise the ruling coalition."

The MBL president said: "The crisis between the MBL and the MNR had its positive side because it enabled us to rectify several points that were not working. We now know that the Sanchez de Lozada administration will once again devote time to issues that were not given sufficient attention."

Deputy Miguel Urioste, acting MBL president, reported that the two parties agreed to establish a basic working agenda that includes discussions on structural reforms toward a consensus, prioritizing rural and peasant development, and the creation of new jobs in the short term with the support of the incumbent administration and the productive sector.

The most salient points of the agreement include the search for consensus on the Hydrocarbons Act, the recapitalization of Bolivian Government Oil Deposits (YPFB), and discussions on a new pension scheme.

It was also agreed that the MBL will have a more decisive participation in the drawing up of the congressional agenda, the approval of the rules of parliamentary procedure, and the enactment of important laws like the ones establishing the Constitutional Court, the Judicature Council, and the Ombudsman.

MNR Executive Secretary German Quiroga said: "This constitutes a relaunching of the coalition on the basis of an agenda of changes. Many people unfortunately expect power quotas or sinecures, which was very common under previous administrations."

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Article Views Bolivian Administrative Decentralization

PY2401123996 Cochabamba LOS TIEMPOS in Spanish 19 Jan 96 p A10

[Editorial: "The New Power Structure and the 1997 Elections"]

[FBIS Translated Text] The enforcement of the Administrative Decentralization Act will have various implications in state management and control. Thanks to their greater decisionmaking capacity and the fact that they answer to the president of the Republic, departmental governments will command more political and administrative power in their respective regions. This circumstance will oblige the head of state and his party to choose the most competent and qualified candidates. The prefects will in fact be the highest authorities of the departments and in the discharge of their duties, they will have to act with forethought, resolution, and absolute integrity.

The institution of the decentralization process will give rise to various types of problems, which will be overcome as long as interest is centered on providing a better service to the people. The prefects who are confirmed in their posts as well as those who are going to be appointed during the tenure of the incumbent president will be entrusted with the immense responsibility of showing that the current administration has been able to spearhead substantial changes geared to modernizing the state and triggering a harmonious and balanced national development that redounds to the benefit of the nine departments. The decentralization process is meant to seek an appropriate distribution of wealth so that the regions that are plunged into a depression may receive the solidaristic support of their fellow countrymen who are in a more advantageous situation. This should in fact be the underlying reason behind the progress which the country is striving to achieve.

We will soon find ourselves amidst an election campaign in the runup to the May 1997 elections. Within this framework, the leading party within the ruling coalition will try to prove that it honored the platform on which it fought the previous elections and which was spell out in the "Plan for All." It will, therefore, try to gain citizens' support to continue ruling the country from the Quemado Palace. The MNR's [Nationalist Revolutionary Movement] attempt at proving its point, will have a lot to do with the tasks that departmental governments may undertake, particularly if one considers the poor results the MNR obtained in the municipal elections in December 1995.

Given the MNR previous record, it is easy to infer that the incumbent administration is extremely concerned about the success of the Administrative Decentralization Act, which came into force at the beginning of January. As is to be expected, herein lies the strongest card of the Sanchez de Lozada administration. This sets one pondering that only now is the incumbent administration giving departmental governments the importance they deserve, since these departmental governments which will have to be presided over by dignitaries who are able to represent the image of the central government and who stand out from the rest on account of their experience, talent, and humane nature. The nomination of prefects should not be subject to improvisations or to simply partisan considerations, although it is understandable that management abilities should go hand in hand with political affinity.

The appointment of the new departmental governments will bring about changes in the structure in the executive branch. The nine prefects are aides of the president of the Republic and owe their nomination to the head of state. These leading regional authorities preside over the whole decentralized apparatus of government in each department and coordinate their tasks by carrying out regional programs that are part of a national plan. By wielding economic and political power, prefects are in a position to manage their jurisdiction with greater advantages than those who managed departmental governments under the old centralist ideas.

Bolivia's Mayor of Tarija Installed for 3d Time

PY1601183496 La Paz LA RAZON in Spanish 6 Jan 96 p A7

[FBIS Translated Excerpt] Tarija, 5 Jan (ANF) — "We are going to work for Tarija because we want it to be the country's most important municipality."

This was said by Oscar "Motete" Zamora Medinacelli, former vice presidential candidate and labor minister, when he was installed as mayor of Tarija for the third time on 5 January.

The ceremony took place at the Superior District Court, and Zamora was installed by Edgar Azurduy Salinas, acting dean of the Superior District Court. [passage omitted]

Bolivian Government Inaugurates Official News Agency

PY2301234196 La Paz PRESENCIA in Spanish 17 Jan 96 p 6

[FBIS Translated Text] On 16 January, the Social Communications Ministry inaugurated a state information

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network called the Bolivian Information Agency (ABI) [Agencia Boliviana de Informacion]. Social Communications Minister Irving Alcaraz said the installation of the equipment was completed on 15 January, adding that ABI will be used to disseminate state information around the country and the world simultaneously.

The state agency will operate with a system fully created in Bolivia by Engineer Clifford Paravicini and his group of technicians, who are called Chasqui, like the people who carried the mail in pre-colonial times.

Alcaraz said the government does not intend to use the system to compete with other sources because the agency will only provide information on public administration activities and works.

Alcaraz explained: "The idea is to disseminate information. We want to put some order in the area of public information. The agency will not disseminate news, it will not compete with agencies or other means. It will ensure state information regularly gets to the media, and public and private universities."

Internet, which is considered the world highway of information, will permit the dissemination of current Bolivian affairs around the world.

According to official reports, the equipment needed to install the agency costs $10,000.

The government will have to pay $300 a monthly contribution to the Internet Network as it is a nonprofit-making organization.

Bolivia's Military Officers Concerned Over Retirement

PY2001002396 Santa Cruz EL MUNDO in Spanish 13 Jan 96 p a21

[FBIS Translated Text] La Paz, 11 Jan (JATHA) — High- and low-ranking military officers have expressed to JATHA their concern that the Armed Forces Law (LOFA) is presumably being implemented in a "biased" way in that obligatory retirement and transfer to the active reserves is being applied to certain officers and yet not to others.

Specifically, the concern is about the implementation of Article No. 96 of the LOFA, which indicates that generals, colonels, and lower-ranking officers are obliged to retire if they have not been promoted within a certain period.

The officers explained that in this case the commander in chief of the Armed Forces is turning a "blind eye" regarding the retirement of some generals and is only applying Article No. 96 from the rank of colonel down. "Only a few generals remain (four or five), but our concern is that the law, which is presumably for everyone, is not being applied correctly," the officers said.

This irregularity also affects the lower ranks because it delays the promotion of other colonels due to the institution's pyramidal structure.

An official report from the commander in chief of the Armed Forces indicates that there are 163 persons within the three forces that must go into obligatory retirement or be transferred to the active reserve.

According to military authorities, this rationalization of personnel only affects a very small percentage of the Armed Forces as a whole.

Brazil

Brazil Extends Sivam Contract With U.S. Firm Raytheon

PY2401231396 Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Jan 96 Section 1 p 10

[Report by Lucas Figueiredo and Raquel Ulhoa in Brasilia]

[FBIS Translated Text] The Brazilian administration has, for the third time, extended its contract with the U.S. company Raytheon for the supply of equipment for Sivam (Amazon Region Surveillance System).

A six-month contract was first signed in May 1995, but it was not implemented because the required Senate authorization is yet to be obtained.

The new extension will make the contract valid until March. Before implementing the comercial contract, the administration must obtain Senate approval of a foreign loan to finance Sivam, and have the Eximbank disburse the respective funds.

The administration expects to obtain the approval of the Senate super committee that is investigating the Sivam project on 31 January, and of the Senate floor on 7 February.

Senator Ramez Tebet (PMDB-MS) [Brazilian Democratic Movement Party-Mato Grosso], who is the rapporteur of the bill, said yesterday that it is still not certain that the Sivam foreign loan will be approved. He said: "If I, the rapporteur of the Sivam project, am still not convinced, you can imagine the situation with regard to the others."

Sen. Tebet said he believes there is a balance of forces between those who are for Sivam and those who are against it. He added that the possibility of summoning

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Francisco Graziano, former president of the National Land and Agrarian Reform Institute (INCRA), to testify before the committee has not been ruled out.

Brazilian Senator Criticizes U.S. Gas Import Policy

PY2401165096 Sao Paulo AGENCIA ESTADO in Portuguese 2313 GMT 22 Jan 96

[FBIS Translated Text] Brasilia, 22 Jan (AE) — Senator Roberto Requiao (PMDB-PR) [Brazilian Democratic Movement Party-Parana] today criticized in a speech in the Senate the imminent possibility of the approval of the patents rights bill, which, according to him, "meets the interests of the United States which threatens us with retaliations." In his speech, the senator read parts of an O ESTADO DE SAO PAULO editorial published on 20 January that states that the Americans are defying a preliminary decision of the WTO, the former GATT. Requiao referred to the fact that the United States rejected a WTO decision made in response to a protest filed by Brazil and Venezuela against Washington's protectionist gasoline import practices. The senator criticized the assertion made by President Bill Clinton's main adviser Mickey Kantor for having said that "the decision of the group of WTO judges or of its council of appeals has no effectiveness in the face of U.S. laws."

Brazilian Paper on 'Double Standards' of U.S. Trade Law

PY2401155296 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20 Jan 96 p A3

[Editorial from the Notes and Information Page: "The Double Standards of the U.S. Government"]

[FBIS Translated Text] The reaction by the U.S. Government to the first WTO ruling on an international dispute cannot be considered a good start for this organization, which was created a little over one year ago with all possible pomp and circumstance. The irony of fate has intervened over the WTO procedure for ending trade disputes which has been tested in a squabble that involves one of the most enthusiastic leaders of the new international order on trade: The United States. This testing situation became more interesting when the panel decided against U.S. interests.

The organization accepted complaints filed by Brazil and Venezuela against U.S. Government protectionist measures over gasoline imports. The United States seems to be using double standards to determine the polluting emissions of imported gasoline versus U.S. gasoline, and is definitively less strict regarding the latter. The U.S. arguments used to defend measures to ensure an improved environment assumed the characteristics of national sovereignty principles, and discussed the supremacy of U.S. laws over international decisions.

The U.S. Government did not even await the final ruling of the WTO department in charge of solving trade disputes, which will be made known on 29 January. Mickey Kantor, President Bill Clinton's main trade adviser, swiftly pointed out that "the decision of the WTO judges and their appellate council does not have any authority under U.S. law." Kantor did not bother to ask why the WTO was created since it is clear that in situations like this it will disagree with one of the disputing parties. It was expected that before a dispute like this reaches the WTO jury panel all arguments would have been placed on the table. The panel never surprises anyone with new evidence, it merely rules on the facts. If WTO member countries decide not to obey the international jury's ruling, we will be returning to the pre-1945 era when no one wasted time with pretty words.

Even from the viewpoint of practicality, the U.S. Government's attitude does not seem to be very intelligent. The United States has played an important role in preventing the admittance of the PRC into the WTO, because it suspects — not entirely groundlessly —- that the Chinese are not ready to follow the rules imposed by the organization. It is obvious that the most primary interest of selling more and buying less is not an altruistic posture. Following the exhaustive negotiations that led from the GATT to the WTO, however, it is a little late to keep mediating about the issue at this level. To reach this recent stage, it was to be expected that the 114 governments that signed the WTO-founding document would have understood the advantages of having identical conditions for all member countries and of respecting the international organization they just created.

Brazilian Senate Committee Blocks Patent Bill Amendments

PY2501025296 Sao Paulo AGENCIA ESTADO in Portuguese 2306 GMT 24 Jan 96

[Report by Aldo Renato Soares]

[FBIS Translated Excerpt] Brasilia, 24 Jan (AE) — The administration today defeated the opposition in the Senate Economic Affairs Committee by blocking the approval of five amendments that would have changed the version recommended by Senator Fernando Bezerra (PMDB-RN) [Brazilian Democratic Movement Party-Rio Grande do Norte]. None of the five amendments proposed by the opposition were approved. The most controversial amendment — one that proposes the discontinuation of the retroactive recognition of patents concerning products that have not yet been marketed

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in other countries, which has also become known as pipeline — was defeated by a vote of 18 to seven. The bill proposed by Sen. Bezerra may now be put to a vote on the Senate floor this month, or in February, at the latest. [passage omitted]

After the Senate plenum takes a vote on the patent bill, it will have to go back to the Chamber of Deputies. The deputies will have to vote again on the bill because the Senate has modified the version that had been approved four years ago by the Chamber of Deputies. Brazil is running the risk of suffering commercial retaliatory actions from the United States if Congress fails to pass the patent bill by April. The Office of the U.S. Trade Representative has placed Brazil on a list of "countries on priority observation." Some U.S. industries — namely, pharmaceutical laboratories — claimed to have suffered losses ranging from $600 to $800 million on the Brazilian market due to Brazil's not having a patent law.

Brazilian Commentary on Defense of U.S. First Lady

PY2501022696 Rio de Janeiro Rede Globo Television in Portuguese 2200 GMT 24 Jan 96

[Commentary by journalist Paulo Henrique Amorim from New York]

[FBIS Translated Excerpt] The charges raised against the U.S. first lady have caused President Bill Clinton to defend his wife in his State of the Union address.

[Begin Clinton recording, in progress] ....a wonderful wife, a magnificent mother, and a great First Lady. Thank you, Hillary. [end recording]

Senators and deputies, friends and foes alike, responded with a standing ovation. Hillary conveyed thanks and she and the president looked at each other in a way that not all couples married for more than 25 years do. Was this a romantic scene or a political gesture? It could be either. Who knows?

A few days earlier, Mrs. Clinton had been summoned to testify before a grand jury. The press has described her as a liar and she has been under fire. The reason for her being called to testify is that documents pertaining to her law office have turned up two years later. No other first couple has been as closely investigated as the Clintons.

The fact is that in the country where the pioneers of feminism have become heroines, the American people still prefer traditional first ladies. Hillary is not one of them. She has been included among the 100 top attorneys in the country. She handles interviews much better than many politicians and she controls her husband, or seems to.

A very popular joke around here is the one about Bill Clinton and Hillary stopping at a service station to pump gas. The attendant recognizes Hillary and says hello. Hillary says: Hi, Bob, how are you doing? After the attendant fills up the tank, Clinton and Hillary leave the station without having to pay. Clinton then asks: Who is that guy Bob? Hillary says: He was my high school sweetheart. Clinton then says: Look at the turns life takes. Had you married Bob, you would be in a service station today. Hillary replies: No, Bill. It would not be that way at all. Had I married Bob, he would be in the White House today.

Hillary Clinton will have to testify in the Whitewater case on 26 January. This is the first time a U.S. first lady will be forced to testify in court. [passage omitted]

Brazil's President Opposes Death Penalty for Traffickers

PY2301013196 Rio de Janeiro JORNAL DO BRASIL in Portuguese 20 Jan 96 p 3

[FBIS Translated Text] Brasilia — The Brazilian Government disagrees with a proposal by Argentine President Carlos Menem to impose the death penalty on drug traffickers in Mercosur [Common Market of the South] countries. President Fernando Henrique Cardoso, who opposes the death penalty, on 19 January told JORNAL DO BRASIL that if Menem raises the idea within Mercosur, he will reject it.

In Petropolis (RJ) [Rio de Janeiro], in the afternoon, Cardoso said he read an interview with Menem in the morning, before leaving Brasilia. "It is a very popular subject in Brazil, but it is difficult to implement. I personally oppose it," the president said.

In Brasilia, the Justice Ministry did not want to engage in a controversy. Justice Minister Nelson Jobim follows the instruction that Brazilian Government officials should not discuss such matters with presidents of friendly sovereign countries. "Only the president can engage in such discussions," an assistant to Jobim has said.

Jobim, one of the officials who has more actively participated in Mercosur negotiations, prefers another type of measure to discourage drug trafficking. Jobim advocates unification of penal legislation, which would considerably facilitate the work by the police. The adoption of a single penal legislation for various crimes speeds up, for example, the extradition processes. There are currently so many legal differences between Mercosur countries that an action considered a crime and punished with

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imprisonment in one country is a simple infraction in another country.

In addition to the unification of the penal legislation, Jobim is also negotiating the partnership between border police organizations. The minister has already dedicated some checkpoints where Argentine and Brazilian policemen operate together. Another coordination mechanism can be obtained by integrating the computerized National Automotive Vehicles Register — Renavam — with the other Mercosur countries. Negotiations between Brazil and Argentina are at an advanced stage. Integration depends only on the technical features of computer programs.

In Petropolis, President Cardoso spoke affectionately about Menem. He recalled Menem's cheerful attitude, and recounted something that happened last year during the signing of a protocol in Foz do Iguazu, during the Argentine electoral campaign. Menem, who was running for reelection, invited the Brazilian president for a meeting in Argentina. Cardoso thought it would be an official ceremony. When he arrived, he was surprised by a dynamic rally. "I suddenly realized I was on a stand, speaking in favor of his candidacy," Cardoso said.

Brazil's President, Congressmen on Municipal Elections

PY2001021396 Sao Paulo FOLHA DE SAO PAULO in Portuguese 17 Jan 96 Section 1 p 4

[FBIS Translated Text] President Fernando Henrique Cardoso has promised the PMDB [Brazilian Democratic Movement Party] leaders that his ministers will not campaign for anyone during the upcoming municipal elections. "I maintain my impartiality and I will not allow any minister to campaign or ask for votes," Cardoso said.

The promise was made during a luncheon with PMDB President Paes de Andrade (CE) [Ceara], Congress President Jose Sarney (PMDB-AP) [Amapa], and PMDB leaders in the lower house Michel Temer (SP) [Sao Paulo], and in the Senate Jader Barbalho (PA) [Para].

Paes de Andrade complained of the ministers' participation in the elections. "The participation of a minister implies the use of the government apparatus. That would represent political power abuse. It harms the party that supports the government," he said.

Temer demanded answers to the PMDB claims. "There may be an impression that the party wants some praise. It is not that. The party wants the recognition that it is not the tail light, that it is part of the government."

The president promised to use his next public statement to assert that the PMDB is essential for his administration. Temer told Cardoso that the PMDB was essential for the approval of the Real Plan. "But that is never mentioned," he said.

Sarney observed in the meeting a beginning of an agreement and rearrangement of the party with the administration: "It was important because it opened channels for dialogue. The PMDB is in a phase of occupying spaces."

The party leaders complained of the PSDB [Brazilian Social Democracy Party] pressure on PMDB deputies to join their party. "This pressure is an aggression on our party. They are being seduced with promises of paradise," Paes de Andrade said.

Cardoso said that he has already asked the PSDB leaders not to allure congressmen from the government support base in Congress.

Brazil's Cardoso: No Campaign Prohibition for Ministers

PY2201234396 Rio de Janeiro JORNAL DO BRASIL in Portuguese 20 Jan 96 p 3

[Article by Ilimar Franco]

[FBIS Translated Excerpt] President Fernando Henrique Cardoso denied that he assumed the commitment of preventing his ministers from campaigning for anyone in the municipal elections. "The PMDB [Brazilian Democratic Movement Party] asked me for that. I did not say anything," he said on the evening of 18 January, during a two and a half hour meeting with PSDB [Brazilian Social Democracy Party] leaders in Brasilia. PMDB President Deputy Paes de Andrade (CE) [Ceara] had guaranteed that Cardoso would not allow ministers to campaign in the elections.

The PSDB members did not like the news and told the president that the party wants its ministers in the rallies and that their political participation does not mean using the federal government apparatus to favor their candidacies. "The PSDB ministers will participate in the campaign. We are not ashamed of our ministers and we will not hide them," said PSDB Secretary General Moema Sao Thiago. "If the PMDB is scared of the PSDB ministers, if it is scared of Sergio Motta, well then, that is their problem."

During the meeting with the PSDB, it was agreed that Cardoso would give the opening speech at the PSDB convention scheduled to take place on 19 or 20 April. The convention will take place simultaneously with an international congress gathering socialists from France, Italy, and Portugal; British labor party members; and members of Latin American social-democratic parties. [passage omitted]

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Brazilian Congressmen View Government Defeat in Congress

PY2001010596 Rio de Janeiro O GLOBO in Portuguese 18 Jan 96 p 5

[FBIS Translated Excerpt] Brasilia — The apparently calm voting session of a draft bill that foresees the creation of social security contributions for retired public workers yesterday incredibly transformed itself into a surprising defeat for the administration, mostly provoked by allies from the PMDB [Brazilian Social Democracy Party], PFL [Liberal Front Party], and even the PSDB [Brazilian Democratic Movement Party]. The bill was rejected by 306 votes to 124. Surprised with the voting result which not even the opposition expected, the government leaders in Congress attributed the defeat to the treason of those unhappy with the treatment they received from the government. A few days ago, for example, a small group of PFL members promised to give a scare to Planalto Palace during one of the next voting sessions. Other congressmen accuse the government leaders in Congress of conducting the voting process badly and the government of having chosen an inappropriate moment to pass the bill. The government will fail to collect 1.2 billion reals that could have been used to reduce the federal budget deficit.

"If the congressmen consider it less important to cut on social funds rather than to cut excessive expenses with public employees, there is nothing I can do," said Chamber of Deputies President Luis Eduardo Magalhaes (PFL-BA) [Liberal Front Party-Bahia].

According to the bill, which was yesterday placed on the Congress voting agenda for the fourth time, 9-, 11-, and 12-percent contributions would have been collected. The bill ended by being linked to the discussion of the controversial social security reform and by being rejected by the Constitution and Justice Committee. The government leaders in Congress nonetheless insisted on placing the bill for voting in the plenary. Government leader in the Chamber of Deputies Luis Carlos Santos (PMDB-SP), was one of the deputies who insisted on voting on the bill. Since the evening of 16 January, the PFL leaders and the government leaders in Congress had been holding meetings with Vice President Marco Maciel to discuss a strategy for the voting session.

"It was surprising. We must interpret this result," said PFL leader Inocencio de Oliveira.

"The government should double its attention regarding social security issues," PMDB leader Michel Temer added.

Opposition leaders said that the defeat that took place yesterday is a preview of what the voting of the social security reform will be like for the government. Government vice leader in Congress Deputy Benito Gama (PFL-BA) agrees with the difficulties that can turn up.

"Congress does not vote against retired workers, farmers, women, or children," he said. [passage omitted]

Brazil: Deficit Seen Greatest Threat to Real Plan

96SM0050A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jan 96 p D7

[Article by Arturo Porzecanski, chief economist at ING Barings Bank: "Deficit Greatest Threat to Future of Real"]

[FBIS Translated Text] *The seriousness of the country's fiscal deterioration has become evident only over the past two months, but it has the potential to undermine the confidence that has been built up since the plan was published.*

The greatest challenge facing the economic team in 1996 will be to reduce the budget deficit, which has gotten out of control and has the potential to undermine confidence in everything that has been achieved. The seriousness of the fiscal deterioration in Brazil has become evident only over the past two months.

In the five years up to 1994, the public sector as a whole recorded a primary surplus (that is, a surplus excluding all debt service) averaging 3.5 percent of gross domestic product (GDP). In four of the five years up to 1994, that surplus was enough to pay the interest on the national debt obligations issued to offset past inflation. On that "operating" basis, the fiscal accounts were practically in balance in 1993 and showed a surplus of 1.2 percent in 1994. In contrast to that, the primary surplus as of September 1995 had deteriorated to one percent after reaching 5.1 percent of GDP last year, and it is possible that the surplus as of December will have shrunk to only 0.3 percent of CDP. As a consequence, the operating surplus of 1.2 percent of GDP is about to become a huge deficit equivalent to six percent of GDP for 1995 as a whole.

President Fernando Henrique Cardoso's administration is taking action to get the fiscal problem under control. It has adopted unilateral measures and also proposed ordinary legislation as well as constitutional amendments having the potential to reduce the size of the fiscal hole by making it the equivalent of a maximum of three percent of GDP. The principal measures are the following:

1. Reform of the corporation income tax to increase collections. The bill reduces the tax rate on net income from a maximum of 43 percent to 25 percent as well

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as the "contribution" based on profits that firms are required to collect to finance social security (from 10 percent to eight percent in the case of firms and from 30 percent to 18 percent in the case of financial institutions). But that tax relief is more than offset by the proposal to eliminate the accounting entry reflecting inflation for income tax purposes—all profits would be subject to the tax, not just the amount exceeding the inflation rate—and to abolish various tax deductions (for additional benefits, as one example). That reform has been approved by Congress and takes effect this year. It should bring in 5 billion reals.

2. A temporary tax on financial transactions. This tax, which was in effect in 1994, would be reintroduced to help provide funds for medical care. It brought in 6 billion reals last year. Approval by Congress is expected during the first quarter of 1996, and the tax would become law 90 days after that. In that case, it will probably bring in from 3 billion to 4 billion reals during the second half of 1996.

3. Higher prices for goods sold and services provided by government-owned firms. The price freeze on gasoline, electricity, etc., that was imposed in mid-1994 is now at an end, and thanks to recently implemented increases and those still to come, government-owned firms may earn about 5 billion reals in additional income in 1996.

4. Authorization to withhold a portion of revenues earmarked for the participation funds. The so-called Fiscal Stabilization Fund is expected to extend for 18 months the administration's current power to withhold up to 4 billion reals in annual transfers to the states and municipalities. This will probably be approved by Congress during the first quarter of this year, whereupon it will take effect immediately.

5. Privatization of companies and banks belonging to the Federal Government or the state governments. The probable sale of property in 1996 includes the Light [Power Services, Inc.] electric company and two public utility companies in Rio Grande do Sul as well as minority holdings in several companies (the Petroquisa [Petrobras Chemical Corporation] complex, for example), financial institutions such as Banerj [Rio de Janeiro State Bank], Banco Economico, and Credireal, and at least one electric company belonging to the State of Sao Paulo. It is also probable that the government will sell concessions to operate railroads and other public utility companies. It is difficult to come up with any figures, but something in the neighborhood of 5 billion reals seems reasonable.

Public Sector Pay

One big unknown in connection with the fiscal outlook for 1996 is the probable path taken by pay and salary increases and changes in the employment level in the public sector. This is a fundamental issue because wage fluctuations were responsible for most of the reduction in the government's primary surplus in 1995 and for about half of the overall fiscal deterioration. If the federal, state, and municipal governments and the government-owned firms are able to avoid hiring new employees, maintain control over pay and salary increases, and agree on nominal increases on the order of from five to 10 percent, the result may be significant fiscal savings—perhaps the equivalent of as much as one percent of GDP. On the other hand, if pay and salary increases end up in the 20 to 30 percent range and more people are hired, the fiscal situation will obviously grow worse.

Fernando Henrique's administration, most of the governors and mayors, and the presidents of the major government-owned firms and banks are well aware that the financial situation in the public sector requires austerity. But the unions are strong, and the courts having jurisdiction in labor matters tend to be generous. Recently, for example, the Superior Labor Court ruled that employees of the Bank of Brazil must receive a 25-percent increase—more than the 21 percent that would fully compensate them for past inflation. The board of directors of the Bank of Brazil, which operates at a loss and laid off over 10 percent of its labor force a few months ago, has appealed. The case is very rightly being viewed with alarm by the government because if the court decision is upheld—and that is the most likely outcome—a 25-percent increase, which will blow the budget apart, will become the war cry of all other public employees.

Taking the long-range view of the fiscal situation, the government has presented Congress with other structural reforms that will probably not take effect this year—but they have the potential to put the fiscal accounts in better order farther down the road. First of all, there is the bill to reform the rules governing job security and lifetime employment in the civil service—the chief purpose being to allow the federal, state, and municipal governments to dismiss employees and establish compensation levels without regard for what other government agencies may be paying their employees. Second, there is the proposal to restructure social security by tightening the rules entitling workers to pensions and encouraging states and municipalities to provide medical care [illegible] social welfare services. Third, there are tax reforms aimed, for example, at establishing a uniform nationwide value-added tax. It is possible that at least the first two of those reforms will be approved by the middle of this year, although

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some of their provisions may be altered to soften their initial impact.

Argentine Experience

Another encouraging aspect of Brazil's fiscal outlook is that now, for the first time, many governors and mayors agree with the central government regarding the desirability of cutting the bureaucratic fat that has accumulated in the public sector. In a situation similar to that in Argentina's provinces a year ago, many of those state and municipal officials are short of money: their payrolls have swelled to such an extent that soon they will be unable to keep their employees paid up to date. And naturally, they do not want to have the same experience that a few Argentine governors and mayors did in 1995: bloody riots after the governments fell two and three months behind in paying salaries.

The Federal Government and the Central Bank have cut off most of the funds formerly available to states and municipalities finding themselves in the red—examples being financing by the private sector and the state banks. About two weeks ago, Fernando Henrique's administration agreed to provide about 2 billion reals in loans for state governments that were broke in exchange for the promise that they would reduce their payrolls, sell off property, and stop borrowing money. That "carrot-and-stick" policy is attracting valuable regional and municipal allies to the side of Fernando Henrique's administration, which is trying to persuade Congress to approve the unprecedented reforms.

According to an overall calculation, the most probable fiscal outlook for 1996 is that the public sector's primary balance, which had a surplus of 5.1 percent of GDP in 1994 and dropped to a minimal surplus (0.3 percent of GDP) in 1995, will not slip into deficit this year. Instead, the primary surplus may very well be restored to about two or three percent of GDP—similar to the primary surplus recorded in 1993 (2.6 percent of GDP).

Interest Rates

In terms of the primary balance after the deduction of inflation-adjusted interest, the operating balance, which fell from a surplus of 1.2 percent of GDP in 1994 to a deficit of six percent of GDP in 1995, may reflect improvement. It may very well show a smaller deficit (around three or four percent of GDP) in 1996. Although real interest rates will certainly drop this year as the Central Bank continues to relax its very rigid monetary policy, the outstanding national debt grew so rapidly in 1995 that the amount of interest to be paid by the government in 1996 will probably not be notably smaller.

On the other hand, we also do not expect the debt instruments issued by the monetary authorities to neutralize the inflow of capital or the granting of credit to financial institutions in trouble to approach the large proportions observed in 1995. As interest rates continue to drop in our country, there will be less and less incentive to bring in dollars from outside, and for that reason it is not likely that capital inflows will exceed the forecast regarding the present deficit on current account (about $13 billion). As for the need to inject liquidity into banks in trouble, we do not expect that problem to grow worse in 1996. On the contrary, the situation may even improve as the difficulties devastating such institutions as Banespa [Sao Paulo State Bank] and Banerj are finally resolved.

The principal events to be watched by investors over the next two months concern the size of the pay increases granted to government employees, especially following the court decision in the Bank of Brazil case, and the direction taken by Congress and the speed with which it moves as it resumes its work this week, chiefly to consider the temporary tax on financial transactions and the Fiscal Stabilization Fund. If there are problems on those fronts, our cautious optimism regarding the fiscal situation may turn out to be mistaken.

Brazil: Economic Team Identifies 1996 Challenges

96SM0050B Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jan 96 p B9

[Article by Ribamar Oliveira: "Government Selects Four Challenges for 1996"]

[FBIS Translated Text] *The plan is to balance the accounts, increase savings, stimulate exports, and permit the creation of jobs.*

Brasilia—The government's economic area has now selected four challenges that it intends to meet in 1996. The first is to balance the public accounts, a goal to be pursued with greater determination. The second is to increase the rate of internal savings and investments, something that must go hand in hand with a drop in interest rates. The two greatest challenges, however, are to increase exports and bring about the growth of the economy along with an increase in jobs.

Before selecting those four challenges, the Ministry of Finance reached the conclusion that the government had taken three significant steps forward in implementing economic policy in 1995. First, inflation had experienced a steady trend downward, to the point that the market estimate at present is that the 1996 rate will be lower than the rate recorded last year. In the government's opinion, inflation will not be far above 15 percent this year.

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In the second place, the economic team was able to control the excess demand that was threatening at the start of 1995 to cause difficulties in the country's external accounts. That control prevented problems with supply and speculation, even though food consumption increased sharply. Bean consumption rose by 1.4 percent over 1994, while the consumption of corn was 6.9 percent higher, that of beef was up 4.4 percent, that of chicken by 16.6 percent, and that of eggs by 16.4 percent. In the opinion of the Ministry of Finance, demand was controlled "without a recessive cycle," to quote Gesner Oliveira, the ministry's deputy secretary of economic policy.

The third step forward as a result of implementing the economic policy concerned the improvement in the country's external accounts. Although Brazil had recorded constant deficits in its trade balance at the start of 1995, it managed to reverse the situation beginning in June and achieved (small) surpluses in the final months of last year. Overall, exports were 6.8 percent higher than in 1994. The deficit on current account (calculated by adding the result in the trade balance to that in the services account) came to around three percent of gross domestic product (GDP).

Reforms

Although Pedro Parente, executive secretary of the Ministry of Finance, announced that 1996 would be the year of fiscal adjustment, experts in the economic area acknowledge that more significant results in that area will not be achieved until 1997. The institutional instruments are said to be still lacking, and they will not be available until after the reforms in administration, social security, and taxes are approved.

Despite that, the experts believe it will be possible to make progress in the fiscal area, chiefly by improving the accounts of the states. The official forecast calls for equilibrium in the public accounts or a small operating deficit. In 1995, the books were closed with an operating deficit (revenues less expenditures, including interest payments on the domestic and foreign debt) on the order of four percent of GDP.

Another challenge considered to be of fundamental importance is that of economic growth along with the creation of jobs. The government is worried because the increase in productivity that is needed to improve the competitiveness of Brazilian products abroad necessarily involves a reduction in the employment level.

The alternative being considered by the Ministry of Finance calls for creating incentives for small and medium-sized firms. A report circulating among the principal staffs in the economic area shows that 63 percent of the employed labor force in Brazil works in firms with up to 99 employees—in other words, it is the small and medium-sized firms which expand the supply of jobs. What we can expect, therefore, is the announcement of plans and incentives for that sector in 1996.

Here are the government's predictions for 1996:

Gross domestic product (GDP): growth of four percent.

Inflation: around 15 percent.

Real interest rate: around 18 percent on average.

Public accounts: in balance or showing a small operating deficit.

Trade balance: in balance or showing a small surplus.

Balance of payments current account: a deficit amounting to about three percent of GDP.

Exchange: the current exchange policy will not change.

Reducing "Brazil Cost" a Priority

Brasilia—The challenge to increase exports is regarded by the economic team as being one of the most important challenges to be faced in 1996. The more exports there are, the more the country will be able to import and the greater will be the rate of economic growth.

But the government warns that that increase in exports will not be achieved with "spurious competitiveness"—as represented by the granting of subsidies or a more aggressive exchange policy. "Our challenge is to reduce costs and increase productivity," says Gesner Oliveira, deputy secretary of economic policy in the Ministry of Finance.

Costs

To increase exports, the government intends to reduce the so-called Brazil cost. But the idea is not simply to expand the infrastructure, improve roads, reduce the cost of transportation, or reduce the social security taxes and other taxes imposed on exported products.

The government also wants to encourage a reduction in the cost of basic inputs. Minister of Finance Pedro Malan points out that there has already been a reduction in the cost of electricity, naphtha, and diesel oil—a fact that favors the country's exports, especially to the Mercosur [Common Market of the South] countries (Argentina, Uruguay, and Paraguay).

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Brazil: More Moderate Growth Forecast for 1996

96SM0050C Sao Paulo GAZETA MERCANTIL in Portuguese 2 Jan 96 pp A1, A8

[Article by Maria Aparecida Damasco: "More Moderate Growth"]

[FBIS Translated Text] **Inflation will reach about 15 percent and the trade balance will again show a surplus. States will cut spending and invest in partnerships with the private sector.**

Sao Paulo—Rarely has anyone seen such unanimity among businessmen, economists and the government in making predictions on how the economy will perform. The figures may show a few variations, it is true, but the scenarios put together for 1996 are extremely similar: moderate growth (two to three percent), a recovering trade balance (a surplus of from $1 billion to $2 billion), declining inflation (the cost-of-living index at around 15 percent), and public spending still out of control (an operating deficit of from two to three percent). In other words, there will be a continuation of the current picture, which is characterized by a stabilization program strongly anchored in monetary and exchange policy rather than in fiscal policy—as would be desirable.

"The Brazilian economy is like someone who has suffered a fracture that was put in a cast with the bones out of place," says economist Roberto Macedo, formerly secretary of economic policy and currently president of the National Association of Electro-Electronic Products (Eletros). In this case, the distortions are due to the policy of high interest rates and a high exchange rate, the focal point of complaints and criticisms by businessmen, who feel that those policies will have to be corrected at some point. But that point does not seem to be close at hand, considering that fiscal adjustment, which is crucial to a change in the underpinnings of the Real Plan, does not seem compatible with the political pressures arising from the timetable for municipal elections.

Minister of Planning Jose Serra recognizes the limitations of the task, but he maintains that the government will continue to move firmly in that direction. "There are no magic solutions," he told this newspaper. "In a democratic system, fiscal policy is always difficult and arduous, and it requires constant mobilization." Serra also emphasizes that the jump in the public deficit in 1995—close to four percent in operating terms—might have been even worse if the government had not cut 3.5 billion reals from budget amendments and restricted another 10 billion reals in spending during the year.

Minister of Finance Pedro Malan is also adamant about the challenge imposed on the government by the public sector. "The essential thing is to ensure continuity in the attempt to solve our problem with public finance, which involves the government, social security, the states, the municipalities, and the government-owned firms," Malan told this newspaper. He points out, however, that most of the deterioration in 1995 was concentrated in the finances of the states and municipalities—and that, in that connection, the program for renegotiating the debts of the states must contribute decisively to an alleviation of the situation from now on.

Without fiscal adjustment as a basis, all indications are that economic activity will remain out of control throughout 1996. The members of the economic team themselves, who until recently were talking about a difficult quarter, have now started referring to a difficult six months. The surprising reaction in sales at yearend, which must have emptied the shelves of many stores—chiefly in that part of the market serving the consuming public—may soften the rigors of the seasonal slump by forcing retailers to rebuild their inventories. But that development will probably not be strong enough to reverse the picture.

"Orders from trade to industry are going to collapse," in the opinion of economist Jose Augusto Arantes Savasini of Rosenberg Associates, who is not impressed by the last-minute boom in retail sales. In his opinion, GDP [gross domestic product] will grow by only two percent this year as the result of a one-percent drop in agricultural production and increases of 1.5 percent and three percent respectively in industrial activity and services. In Savasini's opinion, the persistence of high interest rates and the continuing picture of unemployment—"layoffs will continue in industry and will begin in the financial sector," he ventures to predict—will probably strengthen that trend.

With economic activity on simmer, the performance of the trade balance is not likely to cause any headaches for the government. A trade surplus of from $1 billion to $2 billion is on the horizon. Nothing comparable to the old days of gigantic higher trade balances. But enough to shrink the chronic deficit in current transactions—from about $16 billion last year to something like $11 billion. "The external scenario is extremely favorable and should help sustain the exchange policy," says economist Claudio Contador of the Federal University of Rio de Janeiro. "The range will not change," he says.

In the medium and long term, however, the external sector will continue to be a factor sharply limiting the country's growth—inasmuch as the mediocre rise in exports is a factor inhibiting imports and, as a consequence, consumption itself. Hence the concern that is already expressed by the economic team regarding

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the formulation of a more comprehensive foreign trade policy and a reduction in the so-called Brazil cost.

The continuation of that picture is giving rise to debates over the character of unemployment in Brazil. According to the Macrometrica consulting firm, unemployment will probably rise over the next three years. The consulting firm foresees a steady increase in the rate of open unemployment from its current level of 4.70 percent to 6.15 percent this year, after which it will continue to grow until it exceeds 10 percent in 1998. Only then will there be a decline, according to Estevao Kopischtz Bastos, a partner in Macrometrica.

Economist Edward Amadeo of the Pontifical Catholic University (PUC) in Rio de Janeiro also rules out the possibility that new jobs will be generated this year. Although he is predicting that the growth in the economy will be close to four percent, he says that growth will probably be absorbed by the gain in competitiveness.

Chile

Chilean Envoy to U.S. on Americas Summit Agreements

PY2401231796 Santiago EL MERCURIO in Spanish 23 Jan 96 p C4

[FBIS Translated Excerpt] [passage omitted] John Biehl, Chilean ambassador to the United States, said yesterday that one year after they were achieved, it is necessary to go beyond rhetoric and assessments, and adopt concrete steps regarding the agreements reached within the framework of the Summit of the Americas.

Biehl said he believes no joint effort has been undertaken to achieve an understanding. He added, however, that unforeseeable incidents have occurred, such as the Mexican crisis, which distracted the attention not only of the United States but other countries as well. Biehl said this does not imply that these agreements have been forgotten, but simply that they have not been tackled with the necessary political force and enthusiasm they had originally stirred in December 1994.

Like Foreign Minister Jose Miguel Insulza, Biehl agreed that it is necessary to resume with greater determination those national political objectives that were, definitively, the ones that prompted the Miami summit. He said: "It is necessary to coordinate them better and not to overlook them because of crisises in other countries."

Biehl reasserted the importance of overcoming antagonisms between North and South, similar to what was done by Eastern and Western Europe. He said: "Only thus will we be able to achieve understandings and overcome differences between countries with different standards of living."

Moreover, Foreign Minister Jose Miguel Insulza urged governments to give a new impetus to the agreements achieved in 1994 during the Summit of the Americas by expressing a clear political will to attain specific short-term social and economic objectives.

Insulza said this in a speech he delivered before the Miami Summit Reviewing Committee meeting held at the Economic Commission for Latin America (ECLA) headquarters.

He stated: "We believe that there are important difficulties at the economic and political levels impairing any results and that, therefore, we must be very cautious in our assessment."

Insulza said that this is the time to assess whether it is truly feasible to achieve a free trade zone in the Americas by the year 2005, which is the goal established by the signatory countries. He added: "In view of the difficulties we have faced in the NAFTA negotiations, it is our experience that this entails a much more complex and difficult path and that we have to make an enormous joint political effort to attain this objective."

He said that in view of this and other eventualities, the Miami agreements will not be achieved within 10 years. He added that it will take much longer to overcome the political difficulties that have arisen.

In his speech, Insulza said that a clear political will must be expressed in this regard because recent developments have shown that despite notable bilateral and collective economic achievements in Latin America, there are still unpredictable political factors that halt the achievement of a global agreement.

Insulza also discussed the achievements fulfilled in 1995, which, he said, are entirely satisfactory for the Chilean Government. He said that the first achievement that deserves praise is establishing the issues of the Miami agenda, which, because of their magnitude, will take many more years to be implemented.

He added that another positive point is that the agenda truly does reflect the interests of signatory countries. He said that a series of ideals without any real possibilities are worthless.

Insulza also said that another praiseworthy activity is the intense work that countries have carried out in the social area, the fight against poverty, and, in particular, the achievement of an economic opening, which he said has increased in recent years.

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Insulza also said that one of the most important accomplishments of the year has been the success of the drug enforcement program.

EU Adviser Urges Pact With Chile Outside Mercosur

PY1001163396 Santiago EL MERCURIO in Spanish 8 Jan 96 p B16

[FBIS Translated Text] The signing of a bilateral trade agreement with the EU will allow Chile to directly negotiate sensitive issues. Christian Ghymers, EU commission adviser, said that this type of agreement is more convenient and expeditious rather than one within the framework of the Common Market of the South [Mercosur], namely, it is better to negotiate independently.

Before returning to his home in Belgium, Ghymers, who was vacationing in Chile until 6 January, held a seminar at the request of the Latin American Center for Relations with Europe [Centro Latinoamericano Para Las Relaciones Con Europa], Celare.

Ghymers, who is an economist, said during the seminar that a separate agreement with the EU gives the Chilean Government more negotiating capacity for establishing those mechanisms that will help overcome disagreements over sensitive issues such as those pertaining to fruit and wine production.

Ghymers denied that political reasons such as the Chilean position on the Mururoa nuclear tests have delayed the achievement of the agreement. He said that the EU Commission has approved an eventual signing of a bilateral agreement with the EU. Ghymers said: "This agreement is very beneficial for Chile within the framework of its policy to develop its economy."

Swedish Industry Minister Pays Visit to Chile

PY1001175296 Santiago EL MERCURIO in Spanish 7 Jan 96 p D20

[Article by Luz Maria Guerrero]

[FBIS Translated Excerpt] Sweden has great interest in Chile. According to Swedish Industry and Commerce Minister Sten Heckscher, a new stage is beginning in relations between the two countries. For a long time trade has existed with Chile, which was a developing country. Now, in addition to having developed in this regard, it is improving its economic and political situation. We can say, therefore, that we are more equal, and this of course opens up new and more possibilities for trade and business deals."

Heckscher was only three days in our country, sufficient time to say that "coming to Chile was a good experience. We are very much impressed in many aspects: in our ambition, opening, and readiness to discuss any matter; the manner in which both the economy and politics are handled." After also visiting Peru and Argentina, the Swedish minister, above all, seeks to make known in Latin America that "the fact of being member of the European Union does not change our vision on free trade, and we keep giving the same importance to relations with Chile."

Sweden joined the European Union in March 1995. It participates actively in that organization and it wishes to influence the development of the European continent. "We believe that the degree of influence does not depend on how large the country is but how professional it is, and Sweden has always had a very high profile in this regard." One of its main concerns is to achieve free trade agreements with other countries which are not members of the EU, as is happening now with Chile and Argentina. Heckscher admits that it is quite possible that decisions that could be made concerning our country will be much better than those that might be adopted concerning other nations. "I believe it is so because it is easier to negotiate with Chile which has a more open economy. It has made many things which are considered important as far as relations with the EU are concerned. Chile is a country that has a very developed system of competition, with low tariffs. One never knows, but I believe Chile can become a good partner of the EU."

But Sweden is not only concerned about negotiations with the European block. "It is very important for us to try to improve and increase economic links between the two countries (Chile and Sweden). Traditionally, most of the great internationalized Swedish companies are represented here. What we would like is to see more medium- and small-sized industries." With this purpose, Heckscher met with different delegates of the economic area, either of the private or of the government areas. "I must say that here in Chile, without exception, it is pleasant to discuss and negotiate," the minister said. Sided by a small delegation of Swedish companies representatives, Heckscher had the opportunity of talking with Finance Minister Aninat, Economy Minister Garcia, Foreign Minister Insulza, and Production Development Corporation Vice President Sandoval. He also met with Jose Antonio Guzman, president of the Confederation of Production and Trade.

In addition to economic relations, Heckscher also took the opportunity to congratulate the government for comprising the UN Security Council. "We supported Chile. Now we see with satisfaction that Chile is supporting our country to also join the UN Security Council. It is not only supporting us; it is also working actively on

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this, which is important to enhance relations." [passage omitted]

Chilean Finance Minister Aninat Interviewed

PY2401001596 Santiago EL MERCURIO in Spanish 21 Jan 96 pp D1, D9-D11

[Interview with Finance Minister Eduardo Aninat by Raquel Correa; place and date not given]

[FBIS Translated Excerpt] [Passage omitted] [Correa] Have we a new "navigation chart" following the presidential address to the nation on 12 January?

[Aninat] No. The president was quite clear. In Cerro Castillo he told us frankly: "There is no new agenda." The agenda was established on 21 May 1995. What must be done now is do the job and complete the programs for each ministry. We must finish the job. We are just correcting the course to be able to do things in a more expeditious way. Education, health, infrastructure, productivity, competition, and the state reform continue to be our priorities.

[Correa] In other words, more of the same?

[Aninat] First, more of President Frei's same program and, second, more expeditiously.

[Correa] Does this mean you have gone back to the socioeconomic agenda?

[Aninat] We never abandoned it. But what good is it to have a very powerful and expeditious socioeconomic agenda if the institutional system remains trapped in the past? Progress must be made at all levels.

[Correa] Some people interpreted announcements made on Friday as a smoke screen to conceal the imminent failure of Frei's proposal in the institutional field.

[Aninat] No. Institutional matters are uncertain and we have no control over them.

[Correa] Which is the most difficult goal to attain?

[Aninat] The most important rather than the most difficult goal is to devise an original way to obtain more resources for the education field and thus be able to make deep-rooted changes. We are working on this formula and I believe the president will announce it in April. What is sought is excellence in the education field with an original annual budget formula that may still be applicable in years to come. [Education Minister Sergio] Molina is leading a team that are quietly working on this subject.

[Correa] How long will it take to fully privatize the Colbun enterprise?

[Aninat] Before 30 October Corfo [Production Development Corporation] should have sold, at least, 33 percent of the enterprise. It could even amount to 40 percent. The enterprise may be fully privatized by 1997.

[Correa] Has the size of the winter bonus for pensioners been decided?

[Aninat] Yes. I will announced opportunely. It will be higher than the education bonus (which amounts to 10,000 pesos per student) and higher than the regular Christmas bonus.

[Correa] What will the Chileans gain from the early payment of the fiscal debt to the Central Bank which took place this week?

[Aninat] Something very important: The Central Bank balance sheet, according to some, reveals a financial weakness due to the famous problem of the private banks debt. By making an early payment of $294 million we are contributing to strengthen the assets of the Central Bank. Now [Central Bank President Roberto] Zahler has more leeway to conduct his monetary policy.

[Correa] What does that mean in practice?

[Aninat] Well, I hope they will not get annoyed. It means they have a few less excuses to not help us attain our goals, and it helps to save the interest we are supposed to pay in 1996 and 1997.

[Correa] People wonder about the point of making advanced payments — like on the foreign debt — if the government then has to increase taxes to finance education and pensions?

[Aninat] Chilean legislators have complained about the same thing... People don't understand the difference between government budget — income and expenditures — and the use of our reserves. We had reserves abroad earning poor interest, we could not use them for social investments; that has nothing to do with the government budget.

[Correa] By the way, the Sofofa [Industrial Development Association] chairman has said the government does not do its job and what it does it does wrong. What do you have to say about that. Should he "mind his own business"?

[Aninat] I would rather not comment.

[Correa] Does the partial privatization of Colbun mean a resumption of the privatization process that businessmen yearn for?

[Aninat] Some people look at Chile's privatization process as if we were still in the 1980's, or compare us with Mexico, Venezuela, Argentina which, after not

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privatizing anything, suddenly engaged in the process. Chile has already made an effort in this field.

[Correa] Does this mean the Chilean state has little left to privatize?

[Aninat] Of course. We still have Codelco [Copper Corporation], which cannot be privatized. Some companies can be privatized, such as Colbun and the sanitation enterprises, but we need a new law for this. We do not want to swap a public monopoly for a private monopoly. This week the purchase of 51 percent of the Tocopilla enterprise by a strategic foreign partner was approved. El Abra was also privatized. Once the privatization of Tocopilla is completed the state will receive $500 million. With the privatization of El Abra it received $350 million. Without calling it a privatization and without making too much noise about it we have an income of $850 million. Criticisms are unfounded.

[Correa] If you have so much money why do you not use it to cover social expenditures instead of increasing taxes on cigarettes and fuel for example?

[Aninat] We do not have so much money. People think the state is rich. Just listen to what the state must do: We inherited the pensioners of the old system (1.3 million people). We do not have their contributions but must pay their pensions and even increase them, of possible, because they are very low. We must deal with the public health system that assists 66 percent of the people. We also inherited a foreign and domestic debt we have to pay, and we are paving roads, building social infrastructure, and providing potable water systems to rural areas. People say we have a lot of money. Well, yes, but what about the commitments we inherited?

[Correa] Why do enterprises like Polla [soccer pool] still exist?

[Aninat] Well, they are not very important. Codelco is the only important enterprise but it cannot be privatized.

[Correa] Is it a legend?

[Aninat] More than a legend: It supplies $700 million per year to all Chileans. On the other hand, we are also negotiating so that Codelco may invest in the AFP [Pension Fund Administration Boards]. Through investments in AFP and some bonds, we will invest in some mines. It is also a way of incorporating private capital.

[Correa] A sort of concealed privatization?

[Aninat] No. A more intelligent and massive privatization.

[Correa] Do you have any plans for the subway system?

[Aninat] First we have to finish with Colbun. We must do that job properly. We must complete the sale of Tocopilla, see what we can do with the AFP, and we thus continue to progress. Do not forget we have already started with the railway company. No mention is made of the real estate belonging to the railway company: There is more than $400 million worth between Santiago and Puerto Montt. We must not forget the great privatization, the concessions. Pinochet did not grant a single one. We have already granted concessions worth $500 million. And there is more to come.

[Correa] What is your idea of modernization?

[Aninat] The president and I are interested in modernizing with equity. It is a new characteristic of the economic system which will yield more results in the social field. The idea is to get more people involved in the development apparatus. We could talk about a modernization for all.

To me, modernization means building a second floor to this small, remote country, to make it more productive at all levels; in the agricultural field, the supply of potable water, in its international globalization, and also the state. It means an ample second floor so that 13 million Chileans may have more alternatives. This second floor must have staircases so everyone has access to it, not just a few sectors, not just a few regions or cities. It should be something that integrates us all. The challenge lies in giving this change a social nature; not just change for the sake of change. [passage omitted]

[Correa] In assessing a minister's performance, the fact that he seized from the Foreign Ministry the NAFTA negotiations without being able to conclude them is seen as a negative point against him. Yet he defends himself.

[Aninat] I did not seize the negotiations. Insulza and I have shared this subject so well that some sectors of the media even blame him for the NAFTA failure. We have been "partners" [preceding word in English] one hundred per cent. As for the criticisms, Jose Antonio Guzman, president of the Chilean Businessmen's Association, has been very polite and said he does not criticize the Chilean Government for the way in which it handled this issue, which is obviously a problem between the Republicans and Democrats. They still have not even reached a decision regarding the budget, less still will they reach an agreement over the "fast track" [preceding two words in English]! You need two to tango, and one of the parties refuses to dance for the time being.

[Correa] When do you think it will be willing to dance?

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[Aninat] Nothing can be done before the elections. We can continue our presence, to progress in the technical aspect. As a form of self-criticism I think we were a bit naive about the way U.S. politics are handled. Anyhow, in 10 days time we will start negotiating with Canada.

[Correa] A sort of mini-NAFTA?

[Aninat] Well, after all Canada is the third largest economy in the world.

[Correa] What about Mercosur [Common Market of the South]?

[Aninat] In November the Foreign Ministry negotiators were faced with an unexpected blockade. We have a complicated deadline, 31 March, to reach an agreement over what is known as the long-standing trade agreements of Mercosur member countries. During the coming two weeks we will hold very crucial meetings in search for formulas to unblock the negotiations. Part of my ministry's team are aiding the Foreign Ministry team and the team of negotiators.

[Correa] Do you think maybe the Mercosur member countries do not want Chile to join this bloc?

[Aninat] No. I can assure you that at least Brazil and Argentina want Chile to join Mercosur.

[Correa] Mercosur has been luckier than Chile in its negotiations with the EU...

[Aninat] About the same. We are negotiating the same political protocols; now we have to get on to the custom tariffs issue. We will have important news in the coming weeks.

[Correa] Will Chile prioritize its negotiations with neighboring countries rather than with the Asia-Pacific countries?

[Aninat] No. We are doing fine with Asia-Pacific. We have made good progress in placing increasingly diversified products in countries like China, Malaysia, Singapore, and Japan. Now we have to work on the EU, Canada, and Mercosur.

Chilean Party Official Issues PPD Socioeconomic Agenda

PY1001232996 Santiago EL MERCURIO in Spanish 5 Jan 96 p C2

[FBIS Translated Excerpt] The Party for Democracy [PPD] has issued its socioeconomic agenda for 1996 in which it proposes substantial cuts in personal taxes, a 15-percent hike in company taxes, and a cut in value-added tax (IVA) from 18 to 16 percent.

PPD President Deputy Jorge Schaulsohn said that people now have a heavier tax burden and that this situation must be reverted.

He justified this proposal to decrease taxes, stating that salary earners and independent professionals who issue receipts pay heavy tax rates.

He said companies pay very low taxes, adding: "Their tax burden is insufficient; it is lower than international standards."

He said the current situation must be reverted by easing the tax burden of individuals and establishing a more fair tax system for companies.

The PPD also wants to strengthen the Internal Revenue Department control system to avoid tax evasion.

Schaulsohn said it is not a question of increasing taxes because what is sought is a better distribution of the tax burden so that individuals "pay less taxes because they pay too much and companies pay a fair rate because they pay too little." [passage omitted]

The PPD president, together with Deputies Guido Girardi and Octavio Jara made this tax readjustment proposal during a ceremony in which they issued the PPD socioeconomic agenda that will be promoted in 1996. The socioeconomic agenda coincides with the administration's socioeconomic agenda that was issued at the La Moneda Government House.

The issues encompassed in the agenda include: A reform of the health system; greater spending in education and the reform of the education system; the reform and modernization of the state; tax adjustments and amendments to the labor laws regarding collective bargaining process; and promoting an unemployment insurance.

Schaulsohn insists on cutting the number of ministries and streamlining duties of state secretariats. [passage omitted]

Chilean Daily Assesses Peruvian Proposal

PY0901213496 Santiago EL MERCURIO in Spanish 6 Jan 96 pp A1-A23

[FBIS Translated Excerpt] The Peruvian Government has decided to reject the Lima Conventions and has submitted to Chile a new proposal to definitively resolve the pending points encompassed in the 1929 Treaty and its Complementary Protocol.

The Chilean Foreign Ministry yesterday reacted very cautiously to the Peruvian Government's decision. Although he declined to comment on the main proposals

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made by Peru in a memorandum, Acting Foreign Minister Mariano Fernandez reported that on several occasions the Chilean Government has reasserted that Chile will not renegotiate the Lima Conventions.

Fernandez said: "We have made a decision. The Chilean and Peruvian administrations in power at the time signed the Conventions, but for domestic political reasons or some other reasons, the Peruvian Government decided to halt the process of approval and withdrew the Conventions from Congress. We are awaiting proposals."

Peruvian Foreign Minister Francisco Tudela handed the memorandum to Carlos Martinez Sotomayor, the Chilean ambassador in Lima, on 3 January.

It is expected that the Chilean diplomat will travel to Santiago within the next few days to bring the original text. Meanwhile, the Chilean Foreign Ministry has a draft that has been submitted to technical organizations for study.

Nevertheless, reports disseminated in Lima state that Peru has submitted a new proposal to definitively resolve pending issues encompassed in the 1929 Treaty. This implies the rejection of the Lima Conventions and of other agreements signed for this purpose on 11 May 1993 by the then foreign ministers Enrique Silva Cimma and Oscar de la Puente.

Despite his commitment, Peruvian President Alberto Fujimori first delayed submitting the texts to the Peruvian Congress and later, for electoral reasons, decided to withdraw them from Congress.

In Santiago, diplomatic sources have confirmed that the Peruvian memorandum implies the rejection of the Lima Conventions in view of the fact that one of the main issues states that the works that Chile was to have built for Peru in Arica must be handed over to the Peruvian Government, which is to determine how they will be used and managed.

Such a proposal is a serious step backward relative to what has been agreed in the Lima Conventions, according to which the parties agreed that berth 7 at the northern pier in Arica bay, the Peruvian customs warehouse, and the Tacna railroad station would be handed over to a private company under a Peruvian concession. It also established that the majority of the capital of this private company could be Peruvian but that it had to abide by Chilean legislation.

The formula of handing over to a private company the installations that Chile built in Arica in compliance with Article No. 5 of the 1929 Treaty made it possible to overcome the great historic disagreement between the two countries about the meaning of the phrase included in the treaty which states that these installations should be built "for the service of Peru."

Nevertheless, Peru intends to go back on this in its new proposal. The proposal states: "As the legal owner, it is the Peruvian Government that must be entrusted with the administration of these installations and the areas placed at the service of Peru by Chile to later determine how they are to be used and managed."

Javier Perez de Cuellar, the former UN secretary general, said in Lima that the Peruvian initiative is timely and evidences Peru's willingness to negotiate. Speaking to the AP news agency, Perez de Cuellar said: "This involves a typical negotiations process in order to definitively enforce the 1929 Treaty. The rights we acquired through the 1929 Treaty must be upheld and respected by Chile."

Another aspect of the Peruvian proposal which at first glance is unacceptable to Chile deals with exchanging the lot owned by the Peruvian Government within the "El Chinchorro" site for the area known as the esplanade.

In one of the notes attached to the Lima Conventions, Chile and Peru also agreed on the future use of this lot. In this note, Chile promised to indemnify Peru for the area occupied by Chile and for that area to be used to finish the construction of the Pan-American Highway.

The notes also established that the Concorde park would be built alongside this highway. In addition, it established the sites of some future Peruvian buildings, such as the Peruvian Consulate building.

Now Peru proposes that the lots occupied by Chile should be exchanged for the area known as the esplanade which is adjacent to berth No. 7 in the northern pier and the Arica-Tacna railroad station.

According to news agency reports, Peru is again proposing exchanging the "El Chinchorro" lots "for properties" such as the railroad yard or esplanade.

The esplanade encompasses land that was gained from the sea, that is, it did not exist at the time of the signing of the 1929 Treaty. If it is handed over to the service of Peru perpetually, it will become a Peruvian territory, that is, a kind of Peruvian enclave in Arica.

In fact it was precisely this position which caused the failure of the so-called Lima Act of 1985 in view of the resolute opposition of the Chilean Navy.

The Lima Act established that these installations were to be independetly managed and operated by Peru and this was also rejected by Chile.

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In view of these two points included in the Peruvian memorandum, Peru and Chile must again negotiate the different interpretations of the phrase "at the service of Peru."

Chile contends that this phrase does not imply handing over the land site but the construction sites located at this site for the service of Peru.

Peru maintains, however, that the drafting of this clause is unclear and that Chile must hand over to Peru these construction sites, not the land sites, which are to be independently managed and operated by Peru.

As for the esplanade, the Chilean position upholds that this land was nonexistent at the time of the signing of the 1929 Treaty. In view of this, it is not mentioned in Article No. 5 of this agreement; therefore, it is not subjet to negotiation.

The acting foreign minister refused to discuss this latter proposal to any extent. He alleged that experts are still studying it. He also said: "To discuss contents and opinions would not help the diplomatic negotiations."

In view of persistent journalists' questions on the Peruvian proposal, Fernandez said that the Chilean position has been not to renegotiate the Lima Conventions. He also said that there are no discussions about territorial issues.

He said: "When we discuss the Lima Conventions, we should not overlook the fact that this is a legal document that seeks to expedite the implementation of pending issues encompassed in the 1929 Treaty, but there are no territorial issues under discussion. These discussions are centered on services that Chile grants Peru regarding the use of the pier, the railroad station, and the warehouse in Arica. Therefore, there is no territorial issue under discussion." [passage omitted]

President Eduardo Frei said yesterday that the "El Chinchorro" issue is being handled by the courts and it is up to the courts to resolve the controversy.

Frei made this comment during a visit he paid to the property being disputed by the Arica city hall and Peruvian authorities.

Asked whether he had discussed this issue with his Peruvian colleague, Frei said: "The 'El Chinchorro' issue is being handled by the courts."

He added: "The Peruvian Government has submitted a writ before the courts. Therefore, it is up to the courts to decide." [passage omitted]

Chilean Navy Incorporates New Ship in Valparaiso

PY1601213896 Santiago EL MERCURIO in Spanish 11 Jan 96 p C2

[Report by Hernan Cisternas]

[FBIS Translated Excerpt] Valparaiso — The Newport-type LST-93 Valdivia ship, which was purchased from the U.S. Navy in 1995, was officially added to the Chilean naval list on 10 January.

Defense Minister Edmundo Perez Yoma presided over the flag-raising ceremony on the new naval ship.

Perez Yoma said it was a good decision to purchase the ship despite its age — it served 25 years in the U.S. Navy under the name of San Bernardino — because it fulfills the local requirements.

He noted that the ship will be able to quickly and properly transport a battalion of 400 men. It will also serve for transportation and humanitarian purposes in peace time. [passage omitted]

Colombia

Colombia's Samper, Pardo Call OAS Envoy for Talks

PA2401152296 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 24 Jan 96

[From the "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] In an unprecedented move in Colombian diplomacy, President Ernesto Samper and Foreign Minister Rodrigo Pardo have just decided to call former Minister Carlos Holmes Trujillo, current ambassador to the OAS, in for consultations on the participation of the so-called Gavirists in the country's institutional and political crisis.

Holmes Trujillo was advised of this decision yesterday by Narino Palace and the Foreign Ministry. As everyone knows, former President Cesar Gaviria presides over the OAS. On Sunday, the country was informed of the existence of a document, called Agenda 96 and signed by 12 personalities, seven of them very close to the administration of former President Gaviria. Among others, Rudolf Hommes and Rafael Pardo Rueda, the former defense minister for Gaviria, signed the document. Consequently, Holmes is expected in Colombia in a few hours, surely over the weekend.

Samper wishes to consult with him over the position of former President Gaviria regarding Samper's government and Colombia.

Naturally, the decision to consult with Holmes rather aggravates the already tense and difficult relations

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between Samper and Gaviria. Let's keep in mind that, speaking to Caracol both the day before yesterday and night before last, Jaime Arias, president of the Conservative Party's directorate, said that, at the bottom of the crisis lies a deep conflict over power between Gaviria and Samper. The division in the Liberal Party is so serious and deep that it is affecting the development of the current political crisis.

Never before in OAS history has a Colombian ambassador been called by his foreign minister and president for the purpose of determining how far Gaviria and many former government officials are involved in the development of the current crisis.

Colombia's Senate President on Special Session

PA2401161196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 24 Jan 96

[Telephone interview with Senate President Julio Cesar Guerra by Dario Arizmendi and Fabio Callejas; from "Caracol's 0600 to 0900" newscast; place not given — live]

[FBIS Translated Text] [Arizmendi] Good morning, Dr. Julio Cesar Guerra.

[Guerra] Good morning, Dario and Fabio.

[Arizmendi] Is there a decision on calling for a special session of Congress?

[Guerra] Last night, after a lengthy meeting with the president of the Republic and his interior minister, it was decided to hold a special session of Congress, to be convoked by the chief of state. This will be done, in principle, to present a bill that has to do with political reform.

[Arizmendi] This will take place during the first week of February?

[Guerra] No. This has to take place this coming Tuesday.

[Arizmendi] The session will be for a specific period of time?

[Guerra] Yes. I do not believe it will last more than two weeks.

[Arizmendi] In addition to discussing some bills, are there plans to debate political issues and to examine current events that emerged as a result of revelations by former Defense Minister Fernando Botero, the director of Samper's presidential campaign?

[Guerra] I have received from many congressmen, senators, and representatives requests for informal congressional meetings to analyze the crisis in the country. I think these requests were also made known to the president and that this is why this evening he will probably convoke Congress into session.

I also think that a political debate within Congress is necessary. This will make the situation clearer and bring calm to the country because all the opinion sectors represented in Congress will be able to state their opinion on this.

[Arizmendi] Are you in favor of the Investigations and Accusations Committee of the Chamber of Representatives reinitiating investigations on the president as a result of Botero's accusations or is it necessary to wait for the Prosecutor General's Office to make a decision in this regard, from a legal point of view?

[Guerra] We analyzed this with the chief of state last night. The truth is that proceedings indicate that the Prosecutor General's Office must first evaluate the evidence and statements by former Defense Minister Botero. However, if the chief of state convokes special sessions, there is the possibility that the Accusations Committee could on its own ask the Prosecutor General's Office for the evidence it may have. This would permit Congress to act more freely.

[Callejas] Dr. Guerra, as a result of the crisis in the country, many proposals are being made. For example, the Conservative Party has asked President Samper and Vice President Humberto de la Calle to either consider resigning or to call a referendum to let the people decide whether they should stay or leave.

[Guerra] We also discussed that during our lengthy meeting with the president and the interior minister. The government has not discarded the possibility of consulting the people, something that is envisaged in Article 104 of the Constitution. I think the president and the cabinet have designed a commission to further analyze this possibility aimed at giving the crisis a solution.

[Arizmendi] Are you personally in favor of a popular consultation, if it does take place?

[Guerra] Yes. This would further legitimize the government and demonstrate its honesty.

[Arizmendi] There is talk about a division inside the Liberal Party's national leadership, with four of its members requesting the resignation of President Samper and his vice president, and the other four waiting for institutional developments based on norms. It is being said that party members must wait for the arrival in the country today of Luis Fernando Jaramillo, the national leadership president. Is it true there is this division?

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[Guerra] Yes. There are differences, but not from four members, from two members. Two members have practically announced they want the president to resign.

[Arizmendi] Who are these two members?

[Guerra] They are Senator Luis Guillermo Giraldo and Elizabeth Rico, the representative of women and deputies. Both have openly said they want the resignation of the president.

[Arizmendi] [Words indistinct] in favor of the Investigations Committee, or Congress, or the referendum to decide this conflict?

[Guerra] After leaving the palace we went to a restaurant and stayed there late, considering all the possibilities of the crisis. They have a position, and I am not going to criticize their way of thinking. This forms part of the party's equity. We are going to wait for the meeting, this evening, of the central political committee, composed of the presidents of commissions in the two chambers. The results of such meetings do not represent a mandate, but these committees are advisory bodies to the Liberal Party leadership, which is autonomous in the making of decisions.

However, in crises of this nature, arrogance is not suitable, and it is suitable to listen to everybody.

[Arizmendi] Dr. Guerra, what do congressional rules say about holding a special session on this issue and about the fact that an investigation may be initiated on the president?

[Guerra] Please repeat your question. I did not hear you.

[Arizmendi] What do congressional rules say about a debate on the president?

[Guerra] The truth is that such a debate is not considered. I proposed to the president that in case of crisis, he boldly approach Congress. This is the second time I have suggested this to him. Since neither the Constitution nor regulations allow such debate, I suggested to him that he can unofficially meet with Congress without officially convoking the Senate and the Chamber, for a joint session, so that he may participate in an informal session and a debate may be conducted.

[Callejas] Dr. Guerra, political circles said yesterday that perhaps the government had been expecting categorical backing from the members of the Liberal Party national leadership or at least the promotion of a draft declaration. But some members have said that the president should let his conscience tell him whether he should stay or leave. What do you think?

[Guerra] Personally, I continue believing in the president. No doubt about that. He appears honest to me so far. I think this moment demands much prudence from the Colombians. We must let the president act based on what he knows, on his conscience especially, so that he can decide what is best. We must wait, especially, for legal proceedings. We must wait until Botero finishes his statement to the Prosecutor General's Office and for this office and a higher office, if there is one, something I do not see, to establish which of the two is lying.

Colombian General Pledges Support of Armed Forces

PA2401155996 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1422 GMT 24 Jan 96

[Report by Carlos Gomez Herrera]

[FBIS Translated Text] A military summit is being held at the Defense Ministry. This is General Hernando Camilo Zuniga Chaparro, the Armed Forces commander, speaking to reporters.

[Begin recording] [Zuniga] Yesterday I said that it is when the situation becomes dark and confused that the Armed Forces have a clearer sense of their role, which is always to preserve sovereignty, territorial integrity, independence, and constitutional order, and to defend democratic institutions. The Armed Forces are well aware of their mission.

The Colombian people can rest assured that the Armed Forces, united today more than ever, are determined to preserve order so there can be peace despite conflicts and problems. The Armed Forces offer full support to the government. May I repeat? The Armed Forces have a clear sense of their role and how to fulfill it.

This is what the Armed Forces have been doing. They preserve order and tranquility so democratic institutions can always govern and rule.

[Reporter] General, you have said the Armed Forces' role is to preserve institutions. Do the Armed Forces support President Ernesto Samper's government or not?

[Zuniga] You are apparently trying to lead me to answer your question in such a way as to express an opinion. But the Armed Forces will never do that, because they are a nondeliberating body. I want you to understand me perfectly when I say that the Armed Forces have a clear sense of how to fulfill their role. [end recording]

Gen. Zuniga also referred to the recent incidents on the border with Venezuela. He pointed out that there are certain agreements with the Venezuelan Armed Forces and that understanding and clarity of the Armed Forces' role will make it impossible for irregular actions, which could interfere in relations between the two countries, to take place at the border. Brigade and division

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commanders are participating in a summit to discuss plans for 1996, in particular regarding public order.

It has been reported that the prosecutor general will arrive at the Defense Ministry in a few minutes.

Colombian Prosecutor Views Botero Statements

PA2401184996 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 24 Jan 96

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] Prosecutor General Alfonso Valdivieso spoke at the Defense Ministry a few minutes ago about former Defense Minister Fernando Botero's remarks. Valdivieso said that other witnesses will be summoned to the regional prosecutor's office to confirm Botero's version of events. This indicates that Botero's remarks are indeed a source of concern for the Armed Forces, which throughout the morning have been saying they do not want to discuss the crisis and that this brigade commanders' meeting is a regular one to discuss the country's public order situation.

[Begin Valdivieso recording] Botero's expanded questioning is a new element, which will demand a conclusion. The assessment of this material and the eventual confrontation of some of the witnesses constitutes evidence. For instance, persons who have been either summoned or mentioned must be called to testify.

Nevertheless, it is not up to me to determine anyone's responsibility. This is not part of my duty. In addition, I will not discuss my own role in the investigations, which are still in progress. [end recording]

Colombian President Makes Public Appearance

PA2401190596 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 24 Jan 96

[Report by Nubia Ballen; from the Narino Presidential Palace in Santa Fe de Bogota — live relay]

[FBIS Translated Text] At this time at the Narino Presidential Palace, the ministers council meeting scheduled to begin at noon has not yet started.

On the other hand, a few minutes ago, the first public appearance of the president following the disclosures by Fernando Botero took place. He took part in the signing into law of the new Armed Forces integrated health system. Access to the media was completely restricted.

Only when the president had already entered the military hospital's auditorium were the doors opened to allow access to the media.

It was then that Samper, somewhat troubled, announced some of the benefits of the new health system.

[Begin Samper recording] As of this date, those public officials assigned to this Armed Forces will once again receive attention here in this hospital and will have no further need to affiliate with any other EPS [expansion unknown]. [end recording]

Before the conclusion of the event the president referred to the political crisis the country is undergoing.

[Begin Samper recording] Despite this hurricane we are going through and in which I am defending myself with the umbrella of my conscience, I was able to honor my promise to the personnel of the military hospital. [end recording]

The media was finally allowed close to the president, only to receive the following answers:

[Begin recording] [Samper] I am all right, very content.

[Unidentified reporter] [words indistinct]

[Unidentified person] Enough, enough, please. For God's sake, please.

[Security agent] Get away from the car.

[Reporter] One moment, please.

[Security agent] Get away, now! [end recording]

Colombia's Pastrana Calls For Samper To Resign

PA2401221696 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1730 GMT 24 Jan 96

[Interview with former presidential candidate Andres Pastrana by Jairo Gomez from Pastrana's residence and Fernando Gonzalez Pacheco, Juan Gossain, Lucia Esparza, and Maria Clara Gracia from Santa Fe de Bogota studio; from the "RCN 7:30" newscast — live]

[FBIS Translated Text] [Gomez] I am at the residence of Dr. Andres Pastrana Arango, former presidential candidate. As you know well, he was the number one adversary of President Ernesto Samper in 1994. Good morning, Dr. Andres Pastrana.

[Pastrana] Good morning, Jairo.

[Gomez] We have a complicated situation at hand. What is the solution to this political crisis, Dr. Pastrana?

[Pastrana] There is one solution; the normal one. The president of the Republic must resign. It was confirmed that drug trafficking money financed the presidential campaign. There is an institutional solution: Vice President De la Calle must return and occupy the presidency promptly. I am certain that this would allow us to start

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working and solving current problems, and above all, to recover the year and a half lost during the administration of President Samper.

[Gomez] In other words, the possibility of governability that President Samper mentioned in his speech can be completely ruled out?

[Pastrana] Logically, because it has been completely proven that drug trafficking financed the presidential campaign. We Colombians want a genuine democracy, not a president financed by trafficking money and resources.

[Gomez] If the president resigns, many sectors have claimed that the country would face an institutional problem.

[Pastrana] No, Jairo, since August 1995 I have proposed that the vice president take over, that Dr. De la Calle return and occupy the presidency of Colombia. In fact, I also asked the president to consider the possibility of taking leave. On 21 January Dr. Santos agreed that De la Calle should take over. Even Noemi Sanin yesterday agreed with this theory that I have defended. I think that businessmen, workers, ar ! Colombians in general agree that we should solve Colombia's problems through an institutional solution. The solution that the Constitution establishes involves the vice president.

[Gomez] It is suspected, however, that Colombians might not be the ones who will solve this situation, that the United States will apply pressure. Last night, Senator Jesse Helms talked about heading efforts to decertify Colombia. They [not further specified] say that this development would in fact force President Samper to resign.

[Pastrana] No, the truth, Jairo, is that we cannot allow the United States to impose conditions on us. No, we Colombians are aware of this, and we do not want drug trafficking to finance the president. We do not need the advice of Sen. Helms or other countries. No, we Colombians want to solve this problem by ourselves. I insist that we Colombians do not want drug trafficking to get involved in electing a president or members of Congress, or want it in the private sector or in sectors of the economy.

We have been fighting this for a long time, and it has cost the lives of important journalists, policemen, politicians, and businessmen; in sum, of honest Colombians, and this is why we will continue our struggle.

[Pacheco] Could you give details on an alleged plot to kill you? Have you spoken to Dr. Samper? Is Dr. Samper's campaign the only one that received drug trafficking money?

[Pastrana] Good morning, Pacheco. I would like to address the commentary that Juan Gossain read. I think that there are indeed persons we can trust in Colombia. Those of us who tell the truth end up winners. That is what has happened here. I would say to Juan that there should be a referendum. If the government were to hold a referendum, the question that should be asked is very easy: Do you want a president to be financed by drug trafficking and do you wish to see him stay in power or do you want a democracy? That is the question we are asking. We have asked President Samper to resign, because it was confirmed that drug trafficking resources financed his campaign.

[Pacheco] Is this the only campaign that received drug trafficking money?

[Pastrana] Yes, the truth is that three days before the elections, I sent a letter to the president stating: If it turns out that your campaign included drug trafficking resources, would you resign the Colombian presidency? If drug trafficking funds were discovered in my campaign, I would resign the Colombian presidency. I wish to clarify this question that I posed to Dr. Samper three days before the elections. We were concerned whether the people involved with the campaign and not the president or the candidate knew about this at that time. The campaign was contaminated; this is the organization and process by which we elect the president of Colombia. Fernando, it has been confirmed that those drug trafficking resources financed the electoral campaign of Dr. Samper.

I said months ago on television, now that I am a regular citizen, that if it were discovered that my campaign used drug trafficking resources, Andres Pastrana and Luis Fernando Ramirez would resign from public life, because we would not have the moral authority to continue in politics.

[Pacheco] Juan Gossain, do you wish to ask a question?

[Gossain] Yes, Mr. Pacheco, thank you very much. Good morning, Dr. Pastrana, pardon me for insisting, but the country was shocked and amazed yesterday. What did President Samper and Minister Esguerra tell you about the plot? Who was going to attack you?

[Pastrana] Good morning to you too, Juan. The other day, after a luncheon with the president or rather the vice president of the Cortes, Dr. Trillo in Spain — I was invited to participate in the congress of the Popular Party — as I arrived in his office, I learned that I had received two calls: one from the prosecutor general of the nation and the other from the defense minister.

Logically, after learning about these calls, I immediately could imagine what they were about. I called back

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Prosecutor General Valdivieso and spoke directly with him. He told me that several investigations carried out by the Prosecutor General's Office detected a plot to assasinate me. He urged me to be very careful and noted that it was his obligation to inform the president of the Republic about this. I asked the prosecutor general whether this plot was to be carried out in Colombia or abroad, because the latter was logically a possibility. Valdivieso said that the information he had indicated that the plot was to be carried out in Colombia in the coming days.

I hung up and then talked to the defense minister. He told me the same thing, although he had not talked to the prosecutor general. In the evening, President Samper called me at my hotel. Logically, the president gave me all the information. He said that an evaluation would be made over the weekend, this past weekend, and that we would talk next Monday. Of course, I have not talked to the president because of the situation, but I have maintained direct contact with the Prosecutor General's Office.

[Pacheco] Dr. Pastrana, was that the only thing you discussed with the president? Did you talk about anything else?

[Pastrana] The truth is that he asked me how I was doing in Spain. I told him very well and that I would follow the advice of the former ambassador to Spain.

[Gossain] Dr. Pastrana, did the president of the Republic tell you whether the security corps had established who was behind the the plot, who the authors were?

[Pastrana] Not the president but the Prosecutor General's Office. The president said that there would be an evaluation over the weekend and that he would let me know the results on Monday. I talked to the Prosecutor General's Office yesterday, and I hope to talk to the intelligence organizations today to find out what decision has been made in this regard.

[Gossain] But they did not tell you who was behind this plot?

[Pastrana] The truth is that they did, Juan, but this is being investigated, and I think that at this time, I should not comment, and, of course, this is information from the Prosecutor General's Office, and it is this office that should reveal it.

[Gossain] Are we talking about common criminals or drug traffickers, Dr. Pastrana?

[Pastrana] I cannot say because this is information from the Prosecutor General's Office that should remain secret, and I think that it is this office that should disclose any information.

[Pacheco] Dr. Pastrana, you said that the only campaign that received drug trafficking money was that of Dr. Samper. Do you believe that he would be president of the Republic if that had not been the case?

[Pastrana] There is no doubt about that, Fernando. Really, there is no doubt. I think that the Colombian people realize this, they feel this way. If you asked my leaders, those who accompanied me in the past electoral campaign, those who worked on my campaign, they are the ones who have leveled the charges. [sentence as heard]

But that is not the issue, Fernando. Let us think big, let us think about Colombia. I think that the president must resign. Vice President De la Calle should return. I think that there is support for the institutional figure of the vice president. I think that this is the solution, Juan. I proposed in August that De la Calle occupy the presidency. Dr. Santos agreed with me during a program on Sunday. Yesterday Noemi Sanin also agreed with the proposal I made last year. I am certain that the business sector, the workers, and Colombians agree with me, because we must maintain institutional order in Colombia. This institutional order requires the vice president to take over should the president resign according to the constitutional reform of 1991.

[Pacheco] Maria Clara Gracia wants to ask a question.

[Gracia] Thank you Fernando. I have a brief question: How long in advance did you know about the narcocassettes?

[Pastrana] As I said, Maria Clara, this happened in Cali, on a Wednesday, and now I remember that I attended a ceremony in our honor at the Intercontinental Hotel in Cali involving the entire society, the business sector, the workers, and so on, and it was virtually the end of the campaign. The next day, that is, three days before the elections, I gave the cassettes to President Gaviria. He confirmed the voices — and this is very important — once he confirmed that the voices were those of the Cali Cartel leaders, I sent the cassettes to Dr. Samper, and this is what Minister Botero admitted, that he had prior knowledge about the cassettes that President Gaviria forwarded after confirming that the voices were genuine.

[Pacheco] It is very clear, at least for now, that Dr. Ernesto Samper will not resign. How much pressure are you applying to get him to resign?

[Pastrana] I do not think that this is clear, Fernando. I think that the president should not continue to inflict damage on us. I think that the president must stop being stubborn now that it has been confirmed that drug trafficking resources were present in his campaign. The president should stop hurting us. This is why I

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summoned my political adversaries and my friends to solve this through the institutions and legal means. And we need to act upon our views, I mean all Colombians, not only Andres Pastrana, but all honest Colombians, will do so through legal and orderly means. I think that the president must understand that the country cannot allow a president whose campaign was confirmed to have been financed by drug trafficking money to govern us. We Colombians do not want this.

[Gossain] Lucia Esparza, go ahead.

[Esparza] Yes, sir. Dr. Pastrana, this is my question: You said yesterday in a communique that you do not seek to get even with Dr. Samper for having snatched the presidency from you. Those were more or less your words. My question is: Have you tried to get even since you exposed the narcocassettes?

[Pastrana] Not at all, because I thought that I would win the Presidency of Colombia, and when I turned over the narcocassettes, I had an advantage of four to five points. The Colombian people remember that. That is not my position. I am not arguing about the presidency being taken away from me, whether I should be the president of Colombia. No, this is not my struggle, and I noted this a year ago. I am struggling for the country. That other goal is in the past. The Liberal Party must continue to govern, Vice President De la Calle must govern. I am not claiming this position for myself, and I said this a year ago. This is not the issue, the issue is how we can overcome this situation.

We should stop dwelling on labyrinthine discussions on the vice presidency. There is a vice president. He is Dr. De la Calle. He has not been charged with any crimes. He said he knew nothing about this. Minister Botero said that De la Calle did not know. I think that he is an honest man. The vice president is the figure that our Constitution established. I support De la Calle and the country supports De la Calle. He is the solution to the institutional crisis facing Colombia.

[Pacheco] You said that the country and you support De la Calle. That is not quite true. Dr. Jaime Arias, leader of the Conservative Party Directorate, said he thinks that Dr. De la Calle should not occupy the presidency either. What do you think?

[Pastrana] That is an excellent question. If Dr. Arias' theory prevails, then the Conservative Party should file a suit, because the elections were stolen from me, Fernando. That is what the Conservative Party should do.

[Gomez] Dr. Pastrana, some think that there is also a political debate involved here. And if there is a political debate around Dr. Samper... [pauses] Dr. Humberto de la Calle Lombana was elected with the same votes and the same money that is being questioned, in the past elections...

[Pastrana, interrupting] Jairo, I said this to Pacheco and say the same to you: If that theory should prevail in Colombia, then the elections were stolen from me. And the Conservative Party and Dr. Arias should file a suit. But this has been the goal of my struggle throughout this process. I am thinking beyond that; I am thinking about Colombia. This is why I have insisted that the vice president take over. We Colombians would support him, we want him to request our help to solve this problem.

[Gracia] My question relates to another one I made before. You said that you had prior knowledge about the cassettes. Why was the transcript published after the elections and not before, as it should have been, Dr. Pastrana? Perhaps the people think you are a sore loser.

[Pastrana] People realized that we told the truth. I think that this is an excellent question for President Gaviria. You might recall that I handed the cassettes to President Gaviria on Thursday. I told him: Mr. President, given that you are the top leader of Colombia and the person who should ensure honest elections next Sunday, I hand over these cassettes to you. That was my commitment, to hand them to the top leader of Colombia. President Gaviria asked: What do you want me to do with these cassettes, Dr. Pastrana. I replied: MR. President, whatever you do would be fine; whatever you decide would be fine.

What did President Gaviria do? He first ordered an investigation of the cassettes. Fortunately, I have never in my life negotiated with the Rodriguez Orejuelas, and I did not know whether the voices on the cassettes were theirs. Defense Minister Rafael Pardo, who was present because I had asked President Gaviria to summon him, investigated whether those voices were indeed those of the Rodriguez Orejuelas, that is, Miguel and Gilberto Rodriguez Orejuela, and of Alberto Giraldo.

After their voices were confirmed, on Friday, President Gaviria sent those cassettes to Dr. Samper. And this is what Dr. Botero admitted: That they knew about this. What was my position? I sent a letter to President Samper saying that if one peso of drug trafficking was discovered in my campaign I would resign on Sunday if elected president of Colombia. I urged him to do the same, that he swear to the country that his campaign had received no resources from drug trafficking, and that he resign the Presidency of Colombia if that kind of money was involved in the campaign and not because he knew about it. I have not yet received an answer to that letter.

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The argument that I am a sore loser is behind us. I think that the country has realized that those cassettes were fortunately exposed. What if they had not been? Each person has to determine whether Gaviria adopted a correct position. I told President Gaviria: I will support whatever you decide to do. And that is what I did. I handed the cassettes to the president, who was responsible for ensuring honest elections on that Sunday, that is, on election day.

[Gomez] Dr. Andres Pastrana, many persons wonder why Colombia lacks a serious opposition; there is no opposition. In the case of Collor de Mello of Brazil, an opposition organized itself and finally forced President Collor de Mello to resign. In Colombia there is no opposition. For example, the Conservative Party is part of the government.

[Pastrana] Yes, we have maintained, and perhaps I have personally remained a single and isolated voice. We have been working on this and will continue our efforts. It is difficult, imagine that... [pauses] in fact, when the results of the Accusations Committee came out, I told the president that I, as leader of the opposition, should be granted the opportunity to speak on television. Not even that was granted to us. This is done all over the world. The president's speech is immediately followed by the statements of the opposition leader.

[Gomez] What about your 3.5 million votes? Why do you not summon those people?

[Pastrana] Yes, that is what we are doing. I said, Jairo, that we are trying to summon them within the framework of order and legality. I insist, the president was financed by drug trafficking money and he must resign. We must seek an institutional solution. The country cannot fall into a crisis. We have an institutional solution involving the figure of the vice president and that should be our course of action.

[Gomez] Will you leave the country because of the threats?

[Pastrana] Today I will meet with the Prosecutor General's Office and the security organizations, and I will make the appropriate decisions. But I will be here. This means that I do not mind having to (?come and go). It will not matter. We will continue our struggle. We will try to end the country's crisis. I insist that the only solution is the president's resignation, but we will continue struggling.

[Gomez] Finally, President Samper and Dr. Botero have accused each other of lying. What is your opinion?

[Pastrana] [laughs] That is all we needed. The only fact that was clearly confirmed is that drug trafficking resources financed Dr. Samper's campaign. The only ones who are in agreement are Dr. Samper's treasurer Santiago Medina and the Cali group treasurer Mr. Pallomari.

Colombian Financial Group Head Asks Samper To Resign

PA2501040796 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 24 Jan 96

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] The most important business organizations will hold a meeting this afternoon. Javier Fernandez, president of the National Association of Financial Institutions, has asked for President Ernesto Samper's resignation.

[Begin Fernandez recording] It is worrisome. I believe the economic situation has deteriorated. There is the risk that the flow of capital will slow down and investments could drop even more.

The conditions for investments were unfavorable and now the situation has worsened. I believe that if this impasse continues much longer or a solution is not found as soon as possible, the country's prospects will be worse than ever.

I believe the country is demanding an explanation. The process should be reopened in Congress, but at the general assembly not at the committee's level.

We must find a solution as soon as possible. I would have expected that in order to facilitate the situation, the president would have resigned or temporarily stepped down. I believe the situtation should be solved promptly. [end recording]

Colombia's Botero: Samper Collected Drug Funds

PA2501041896 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 24 Jan 96

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] New and scandalous revelations made by Fernando Botero to the prosecutors were disclosed today. According to the former Defense Minister, President Samper himself was responsible for collecting the drug funds.

Botero maintained that the then presidential candidate Ernesto Samper himself planned, arranged, and executed the strategy to obtain the Cali group's financing.

We were losing at the polls and we had no funds, Botero indicated. It was then when a group of U.S. advisers

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recommended a costly public relations campaign to rescue the candidate's image, and this campaign was allegedly financed by the drug traffickers.

Botero said that he was only responsible for raising funds from the legal companies, while Samper took care of oiling the machinery, that is, raising funds to send to the Liberal Party's regional leaders.

According to Botero, as of that moment, the campaign split into two groups, and very strange men, whom he never tried to identify, came to offer their assistance. The former minister admitted that he covered for the president.

Colombia's Botero Said To Feel 'Betrayed'

PA2501043396 Madrid EFE in Spanish 2027 GMT 24 Jan 96

[FBIS Translated Excerpt] Santa Fe de Bogota, 24 Jan (EFE) — [Passage omitted on previously covered material] Today, Radio Cadena Nacional (RCN) disclosed excerpts of the 80-page document that Fernando Botero, former manager of Samper's campaign, drafted at the military installation where he has been imprisoned since 15 August and which he read to several prosecutors on Monday. [passage omitted]

President Ernesto Samper has denied the charges made by the former defense minister, described them as "infamous," and said that "he is lying to save himself."

According to the confidential reports accessed by RCN, Samper was accused by his "right-hand man" in the campaign, because Botero felt he was the "scapegoat" in this scandal. This scandal, also known as "Case 8000," has implicated 250 people, including congressmen, former congressmen, police officers, and a reporter. [passage omitted]

The unrest that plagued the campaign became evident between May and June 1994, when Samper did not garner enough votes to win the first round and there was no money to pay for the costly publicity recommended by U.S. advisers to portray the candidate as a man unmarred by the political machinery and as a more humane, popular figure...," says the account, which forms part of the confidential proceedings. [passage omitted]

Botero assured that he never wanted to discover the identity of the men because "I was afraid of knowing...." I admit, Messrs. Prosecutors, that I acted cowardly, but I did it because I was ashamed."

According to RCN, the former minister made the decision to accuse his friend, President Samper, because he felt lonely and "betrayed" by the government.

The source indicated that Botero made this decision in the third week of November, when — from his cell at the Army's Cavalry School — he decided to send a note to several government officials, including his friend Interior Minister Horacio Serpa.

In the note, Botero asked the officials to do "their utmost" to prevent Prosecutor General Alfonso Valdivieso from being confirmed in his post by the Council of State until 1998, as he believed that with a new official, his case stood a better chance of being favorably resolved.

Second, he asked the officials to prevent the Prosecutor General's Office from granting house arrest to Santiago Medina, the former Samper campaign treasurer. On 26 July, Medina unleashed the scandal when he admitted that he had received $6 million from the Cali group.

However, later on, Valdivieso was confirmed in his post and Medina was transferred from prison to his residence.

The breakup became obvious when Minister Serpa visited Botero in his cell and Botero, clearly upset, told him: "The government has betrayed me... They have abandoned me... No one is helping me... No one remembers me."

Some time after Christmas, Serpa visited Botero again and — according to RCN — Botero ended up hurling a heavy ashtray against the wall.

On Monday, 8 January, the former defense minister met with his friend, attorney Fernando Londono Hoyos and during this three-hour meeting, he made the decision to give his version to the Prosecutor General's Office.

Not only did Londono Hoyos support Botero's decision, but he accepted his offer of joining the team of defense attorneys.

A week later, Botero shocked the nation when he briefed several journalists on some of the facts disclosed to the Prosecutor General's Office and, basically, the fact that Samper "was aware" of the Cali group's contributions to his campaign.

Colombian Business Groups Urge Samper's Resignation

PA2501040196 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2348 GMT 24 Jan 96

[From the "Caracol's Latest News" newscast]

[FBIS Translated Text] Fifteen prominent Colombian business organizations have asked for President Ernesto Samper's resignation. They believe this to be the solution to the present political crisis. The group has issued a communique, which reads:

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Due to the present situation, the possible resignation of important officials, including the president, should not be ruled out.

The communique was signed by the directors of the Colombian Association of Auto Parts Manufacturers (Acolfa), the Colombian Association of Small Industries (Acopi), the Colombian Plastics Industry Association (Acoplasticos), the National Association of Exporters (Analdex), the Bankers Association (Asobancaria), the Colombian Association of Flower Exporters (Asocolflores), the Association of Colombian Sugarcane Growers (Asocana), the Colombian Construction Board (Camacol), Colsecar, Fasicoldas, the National Federation of Businessmen (Fenalco), the National Cattle Breeders' Association (Fedegan), the Colombian Federation of Metallurgical Industries (Fedemetal), and [word indistinct].

The directors are saying that Samper's mandate is very unstable, although no definite statement has been issued by the legal authorities with regard to the current investigations. President Samper's credibility and ability to rule have declined under the present circumstances.

The business leaders say that it is important, more so than personal or group interests, to look at what is best for Colombia, to work toward recovering fundamental values and the national dignity, and to reestablish coexistence, ethics, and justice, without which, life would be unbearable.

The communique stresses that thanks to the integrity of our judges and prosecutors, the truth and the idea that all Colombians are equal before the law has prevailed.

The communique states that the country should continue seeking the truth despite the cost or pain it could produce. The country has the legal mechanisms and constitutional procedures to face this serious crisis.

The problem should be solved as soon as possible; any delays are very costly.

Colombian Businessman Urges 'Temporary Retirement'

PA2501041396 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 25 Jan 96

[Interview with Sabas Pretelt de la Vega, president of the Colombian National Federation of Businessmen, by Maria Cristina Uribe and Jorge Alfredo Vargas in Santa Fe de Bogota; from the "Seven O'Clock Newscast" — live]

[FBIS Translated Text] [Vargas] We have the president of the National Federation of Businessmen, Sabas Pretelt de la Vega, on the line. He is also the country's top business leader. Dr. Sabas, good evening, why are you asking for the temporary retirement of the president?

[Pretelt] The presidents of all business associations in the country have said it is evident that the government's capabilities have weakened. In view of this situation, it is necessary to seek an institutional solution and the president, himself, could offer a solution directly. One of the solutions could be the possible retirement from his post while legal problems are solved. The country cannot wait, the solution must be given immediately.

[Uribe] Why the decision? Do you intend to rush the justice system?

[Pretelt] Not at all. That is why we say the president must evaluate the situation. The business associations are not asking for his resignation. We are just saying the president has all the tools to determine what is most advisable for the 34 million Colombians. The damage is quite big in all areas of the Colombian economy at this moment, and we must find a short-term solution.

[Vargas] If the president made the decision you propose, in case he temporarily retires from the presidency, who should replace him? Vice President De la Calle?

[Pretelt] We have always supported Colombian institutions, and we believe the solution proposed by the president of the Republic must be respected.

[Uribe] How is the situation adversely affecting the productive sectors?

[Pretelt] Pardon me? I did not hear the question.

[Uribe] How is the situation adversely affecting the productive sectors?

[Pretelt] We conducted an evaluation yesterday of the various sectors of the economy and have noticed a great deterioration of foreign investment. We have noticed an overall discomfort. There is uncertainty in the stock market. The deterioration has also been felt in the exchange rate, and we are concerned. We must not speculate at this moment. The Colombian economy is solid. Business sectors have the duty to demonstrate that the political crisis cannot adversely affect the economy, and the president must find an institutional solution in the short run.

[Uribe] Thank you Dr. Sabas, thank you very much.

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Colombian Attorney Denies Botero Received Benefits

PA2501035796 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 25 Jan 96

[Interview with Fernando Londono Hoyos, attorney for former Defense Minister Fernando Botero, from an undisclosed location, by station announcers Maria Cristina Uribe and Jorge Alfredo Vargas in the Inravision television studios; from the "Seven O'Clock Newscast" — live]

[FBIS Translated Text] [Uribe] Henceforth, Fernando Londono Hoyos will design the defense strategy of former Defense Minister Fernando Botero. Londono Hoyos is regarded as an eminent legal expert and has been known for his critical stance of the government of President Ernesto Samper. Good evening, Dr. Londono. It has been a surprise that you who are a lawyer specializing in financial and economic matters are working on Botero's penal defense.

[Londono] I do not believe in having specialties in penal law or in law, and I have been saying this to my students for over 20 years. A lawyer has to respond to a universe or structure that is his object, and that object is man, who is whole. For that reason, anyone who knows the law, must be familiar with all the branches of the law.

[Vargas] What benefit will Fernando Botero receive for making those statements. Will he be allowed to be under house arrest?

[Londono] Not at all. As a matter of fact, if he receives that offer he will reject it.

[Vargas] How about a trip abroad, as some have said.

[Londono] How can you think that? How can a prisoner go abroad? Nobody can imagine that; Botero has not imagined it, and the Office of the Prosecutor General would never imagine such a thing. We are not making despicable negotiations, but a contribution to the country that we deem priceless, namely, the truth. The country is thirsty for the truth, and Fernando Botero has given it the truth at an enormous sacrifice.

[Uribe] It has been said that you are a supporter of Andres Pastrana. Are you conducting a political or legal defense?

[Londono] Those who want to place me on Pastrana's side are right to say that I hold him in great esteem. I supported him in the past campaign, but as far as I know, there is no such thing as Pastranism. What does exist is a Conservative Party that went under, and all that remains of it is its spirit and the memory of its old ideas. One of its most unblemished figures is young politician Andres Pastrana. For that reason, I do not know what is the purpose, aim, or meaning of that remark.

[Vargas] Is Botero's contribution to Case 8000 merely hearsay or is there specific evidence?

[Londono] Case 8000 is the file with the largest number of accumulated evidence that I know of. It is devastating and overwhelming. It needs to be organized and used in a congruent manner by creating a total picture out of those scattered pieces.

[Uribe] Is there proof that the president did know?

[Londono] I have no doubt about that.

[Vargas] We thank you very much for appearing on this cast.

Colombian Envoy to U.S. 'Thinking About' Resigning

PA2501044596 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 25 Jan 96

["Exclusive" interview with Carlos Lleras de la Fuente, Colombian ambassador to the United States, in Washington, D.C., by Cesar Mauricio Velasquez in Santa Fe de Bogota on 24 January; from the "Seven O'Clock Newscast" — recorded]

[FBIS Translated Text] [Anchorman] Carlos Lleras de la Fuente, Colombian ambassador to the United States, who has been known for his statements of overwhelming support for President Ernesto Samper's government, was evasive today when we asked him about his possible resignation.

[Velasquez] Mr. Ambassador, will you resign?

[LLeras] I have no comments at present.

[Velasquez] What are you going to do?

[Lleras] I am thinking about it.

[Velasquez] Have you made any decision yet?

[Lleras] These matters have to be thought over very calmly. The events taking place in Colombia should be considered, and this is what I am doing.

[Velasquez] Do you think that the country will be divided among those who believe Samper and those who believe former Defense Minister Fernando Botero?

[Lleras] This is a dangerous attempt. I believe that this problem is so serious that it should not be handled so lightly as to conduct polls on who believes either side. This is not the core of the problem.

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[Velasquez] Whom do you believe?

[Lleras] No, I do not get involved in these sorts of polls. I do not want to judge anyone. I do not deem myself capable of judging others. I act according to my conscience, trying never to harm the country.

[Velasquez] Were you hurt by the present events?

[Lleras] Of course I was. Any honest Colombian should be hurt to see that his country is facing such a situation.

[Velasquez] Have you slept well over the past two days?

[Lleras] I have not slept well for the past 15 months or so.

Colombian Envoy to U.S. Denies Intent To Resign

PA2501060496 Santa Fe de Bogota Radio Cadena Nacional in Spanish 0413 GMT 25 Jan 96

[Telephone interview with Ambassador to the United States Carlos Lleras de la Fuente, in Washington, by Radio Cadena Nacional news director Juan Gossain, in Santa Fe de Bogota — live]

[FBIS Translated Text] [Gossain] Good evening Ambassador Carlos Lleras de la Fuente.

[Lleras] Good evening.

[Gossain] Tonight, we have heard many different, even conflicting, versions regarding your alleged resignation from your post in Washington. Have you resigned from your post?

[Lleras] No. I have not resigned from my position as ambassador in Washington.

[Gossain] Are you considering this possibility?

[Lleras] I will be traveling to Bogota at the end of this week, and I will evaluate this situation once I arrive. Being so far away, one hears too many things and receives too many conflicting reports on various subjects; therefore, it is difficult to make a clear judgement. I will be leaving for Colombia in three days and I will review the situation as it is and as I should see it once I get there.

[Gossain] In other words, you will review the situation whenever you have access to firsthand information and you can talk to the appropriate people, and then, you will make a decision.

[Lleras] Yes. I will also speak to the president, and I will make the pertinent decision based on the situation I encounter upon my arrival in Bogota.

[Gossain] Why is there a possibility that you might resign?

[Lleras] I will have to analyze this issue. I have served as a diplomat throughout my career as a government official. If I could not perform an important duty for my country, it would make no sense whatsoever for me to be here. Thus, this is the essential issue that will guide my decision at any given moment. As you know, I have been here for 15 months. During this period, I have undertaken all the necessary efforts to maintain my country in the position it should have and to spare it any sort of harm.

[Gossain] That is true. However, in recent days, in recent weeks, especially in recent hours, hasn't your work in Washington — the handling of relations with the United States — been more complicated than usual?

[Lleras] Thus far, nothing different than what has been reported by the media has transpired. The latest statement released by the U.S. Department of State, which I have read, has indicated the U.S. Government's ongoing neutral position regarding Colombia's political situation. They continue to view this situation as Colombia's internal affairs and as such, they believe Colombia should resolve it through its own institutional mechanisms. Thus, I cannot say that there has been any new development to this effect.

[Gossain] We will be waiting for you in Bogota to see what will be your final decision once you have examined the situation firsthand.

Colombian Report Views U.S. Silence on Samper Issue

PA2501055596 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0230 GMT 25 Jan 96

[Report by Mariana Lloreda; from the "QAP News" newscast]

[FBIS Translated Text] In the United States, the Colombian issue continues to be a cause for concern; however, analysts believe the Clinton administration's silence should not be a cause for feeling relief.

In the United States, silence is the order of the day, but the possibility of a decertification is increasingly gaining strength. In fact, Senator Jesse Helms, president of the Foreign Affairs Committee, asked President Clinton yesterday not to certify Colombia, and many support him.

[Begin political scientist Julio Tokatlian recording] The Clinton administration and the Republicans agree that it would be a good example for the international community to punish Colombia through a decertification. [end recording]

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This is not the only instrument. Clinton could adopt an executive order signed in October against the Cali Cartel and money laundering activities.

[Begin Tokatlian recording] A kind of shockwave is being formed in which semi-legal businesses and later legal businesses start to become involved. [end recording]

In addition, the silence may be deceitful, and the U.S. Government may have more information than what it admits to having.

[Begin Tokatlian recording] The United States does not want to be the one producing the fall, but simply wants to help in the pushing. [end recording]

Colombia's Samper Speaks on Intent Not To Resign

PA2501051096 Santa Fe de Bogota Radio and Television Networks in Spanish 0233 GMT 25 Jan 96

[Speech by President Ernesto Samper Pizano at the Narino Palace in Santa Fe de Bogota — live relay]

[FBIS Translated Text] Colombians: The recent events that have taken place in Colombia are truly serious. However, as regrettable as they might seem, they also draw us closer to the truth we have been searching. I understand the feelings of frustration and incertitude you might be harboring, and I share your aspirations of recouping peace and hope. This is not an easy task at all.

Long years of coexisting with the corruptive power of drug trafficking have led to its infiltration into many areas of our society and economy. Surely, this infiltration did not begin with the past presidential campaign. This infiltration has taken place over several years and today, more than ever, we are in the right position and we are responsible for putting an end to it.

I have deeply reflected over my duty as president under the current circumstances, and I have reached the conclusion that my responsibility is to find the path to solve the crisis we are facing. The task of a president is not to run away when faced with the first threat, and it is much less so to put his people against the wall in difficult moments. There are ways out of this situation. They do exist, and you can rest assured that as the president, I will not rule out any alternative that can help us to recover normalcy, at any price or sacrifice.

In the past hours, I have met with many people. This afternoon, I listened to the concerns and recommendations made by businessmen, political leaders, reporters, and community leaders. I also met with my cabinet, whose loyalty and solidarity I acknowledge in these difficult hours. Based on these meetings, I have made several decisions, which I want to tell you about. These decisions deal with immediate measures that will help us overcome the current governability crisis faced by Colombia. These measures will facilitate a solution to the crisis, without jeopardizing neither the state of law nor the necessary stability of the Republic, which is being upheld by the Armed Forces. I will begin by telling you that under no circumstance, will I accept reckless solutions that migh lead to further confrontation or violence among Colombians.

I have objectively considered the alternatives proposed in the past days, beginning with those suggested by my harshest adversaries. My opponents have suggested my resignation. As I said on Monday night: I will not resign from my constitutional duties as president of the Republic. Under the current circumstances, my resignation would be a cowardly act, which neither Colombians nor my own children would forgive. I will not leave Colombia adrift. I have a clear conscience regarding the financial management of my campaign, and if the infiltration of drug-related funds into my campaign is proved, you can rest assured that I will not hesitate to assume, unambiguously, my responsibility. I do not believe the temporary vacancy of the presidency is a viable alternative, as it would place the administration of the country in a precarious situation of temporary leadership [interinidad] and would move the conflict to the internal operation of the government.

I urge those officials who have been, during these trying days, fulfilling their duties diligently to continue working for Colombia's sake and my government's social project. Colombians have the right, but especially the responsibility to participate in the solution of this problem. The current crisis is threatening to divide Colombians, and this circumstance is so worrisome that — I must confess to you — it is the only thing that keeps me awake in this icy palace, on these chilly Bogota nights. A divided society, at a time when it is faced with the serious problems currently affecting Colombia, is a society too crippled to find the solutions demanded by the people.

A direct appeal to the people via a referendum is undoubtedly a viable alternative. A referendum would never inflict deeper wounds, rather, it would help them heal. A referendum would not seek to save... [14-second break in reception] A referendum would help unite, never divide Colombians. In the coming week, I will submit to Congress a plan for a referendum that reflects these declarations. A team of experts is already studying the way to adopt constitutional provisions on referendums and the current statutes on citizens' participation. The referendum that might determine how

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long I will remain as president does not, under any circumstance, involve an interruption of the institutional proceedings to investigate my conduct. To ensure this, I have also adopted a number of measures. First, a special session of Congress will be immediately convened. This morning, I asked the prosecutor general to submit any evidence against me that might be kept at his office. I applaud the announcement he made today in this regard.

I am also calling on the National Electoral Council to name an Audit Court [Tribunal de Cuentas] comprising experts of the highest moral qualities to review in detail the accounting of the revenues and expenditures of my campaign and to establish the origin of its excesses and flaws.

All of the campaign's current accounts are available to the Council, and I am certain that the Office of the Prosecutor General will provide its efficient support to allow it to have equal access to banking accounts, which we have learned were opened abroad unofficially with money from my campaign. As the Constitution allows it, I am asking the Chamber of Representatives to fulfill its jurisdictional duty to investigate the conduct of the president of the Republic. I am also asking the Congress to perform the duty of political control, which is also included in the Constitution, to conduct a broad debate before the nation, carried by all the news media, so that all the views and complaints that the parties and political movements represented in the Congress may deem necessary are aired. It is not up to the president to fabricate different or extraneous mechanisms than those contained in the Constitution. Nor could any society function if it has to seek a judge in accordance with the needs of the accuser for every charge made. As I announced in December, I am also asking that the secrecy of my file be lifted so that the public can learn the most minute detail of these proceedings. That is your right, and I am prepared to guarantee it.

Colombians: I did not seek the presidency for any purpose other than to bring to fruition plans and programs that will improve the living conditions of the neediest, that will allow Colombia to take a social leap, and to bring peace among Colombians. I sought the presidency because I do not want us to continue killing each other. I sought it because I was pained by the conditions of poverty of millions of Colombians, something we are now resolving. I sought it thinking of all the senior citizens that we are already becoming. I sought it to pay the social debt we contracted with Colombian women, a debt we are already paying. I sought it to improve the countryside and ensure the conditions of a vigorous and competitive economy in the future. I sought it to demonstrate that Colombia can, without sacrificing the dignity of its justice, demonstrate to the world its capacity to punish crime and fight drug trafficking, as we are doing. There are sectors that have different views on the priorities of development, that have another model, to put it that way. I am also extending my hand to those sectors, so that we can reach agreement on government priorities that will make this country a place where coexistence can exist. If all of us understand our own responsibilities at this time, if every one, each one of us, does his share and sets aside his interest, thinking in a lofty and selfish manner, for the benefit of the whole nation, I am convinced that once again we will succeed in overcoming the adversities, as we Colombians have succeeded in doing in these past years. I invite you, therefore, to continue building this country to the measure of our dreams: children in their schools, peasants in their fields, workers in their factories, women in their homes, as well as in their jobs, and the hard activities of their daily work at home. Good evening, and may God keep you all.

Colombian Minister on Referendum, Envoys' Resignations

PA2501052896 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0245 GMT 25 Jan 96

[News conference by Interior Minister Horacio Serpa with unidentified reporters; place and date not given; from the "QAP News" newscast — recorded]

[FBIS Translated Text] Attention. The government has reacted to reports that ambassadors have resigned. Horacio Serpa has said the following:

[Begin recording] [Reporter] Minister, do you think President Samper is, say, currently in a bind?

[Serpa] No, I do not believe so.

[Reporter] Even with the statement issued by the unions?

[Serpa] No, because workers, peasants, political organizations, many people, grass roots sectors, nongovernmental organizations have also made statements backing the government of President Ernesto Samper.

[Reporter] People who attended the meeting said, as they were leaving, that a referendum is unconstitutional. However, President Samper insisted on a referendum during his speech.

[Serpa] President Samper announced that a constructive study on this possibility would be conducted. I believe the study has to be done, and then we will see what is most appropriate.

[Reporter] What are your comments on Ambassador Lleras' resignation.

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[Serpa] I do not know. I have just heard the news on the television. Well, I imagine we will have to appoint another ambassador to the United States.

[Reporter] And one for Venezuela too.

[Serpa] We will have to appoint one. Those who do not agree with the government will leave and others will enter. This is normal.

[Reporter] Do you not think this will make the crisis worse? [question unanswered] [end recording]

Colombian Ex-Minister Rejects Call for Referendum

PA2501053696 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0245 GMT 25 Jan 96

[From the "QAP News" newscast; passages within quotation marks recorded]

[FBIS Translated Text] Former Foreign Minister Noemi Sanin joined the chorus of critics of the referendum urged by President Ernesto Samper.

In the opinion of Noemi Sanin, the government's proposal to call for a referendum is tantamount to cheating on justice.

[Sanin] "The referendum seeks to take the place of justice, and what is more, it would void the action of justice and would amount to a blow to the rule of law, as I have already said."

A new inquiry by the Accusations Committee would lack credibility, according to the former official.

[Sanin] "The country knows this mechanism, and the country does not trust it."

In her opinion, the president has just one way out.

[Sanin] "Mr. President, make a historic gesture. Mr. President, spare the country further suffering."

Colombian Attorney Supports Reopening Samper Inquiry

PA2501054296 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0245 GMT 25 Jan 96

[Report by Clara Elvira Ospina; from the "QAP News" newscast — passages within quotation marks recorded]

[FBIS Translated Text] Attorney General Orlando Vasquez Velasquez is of the opinion that the country is crumbling and agrees with a reopening of the investigation by the Chamber of Representatives.

[Ospina] The attorney general reaffirmed today that since December, he has been convinced this is not the time yet to shelve the inquiry on the president. He added that recent developments have proven him right.

[Vasquez] "It was not yet the time, and we said that last year, to close a very delicate investigation conducted by the Accusations Committee."

[Ospina] He was specifically referring to the disqualification finding by Committee Chairman Heyne Mogollon.

[Vasquez] "Even if the finding has a formal effect, if new incriminating evidence turns up, the inquiry must be reopened."

[Ospina] He feels this is a crisis of legitimacy, and the country, he said, cannot take it any more.

[Vasquez] "The Colombian economy and society, and our institutions in general, are collapsing swiftly like a deck of cards."

[Ospina] He disagreed with extraordinary solutions, such as a referendum, and said he does feel disqualified to participate in the process against the president, since the accusations against President Ernesto Samper are one of the thousands that are filed every day against government officials.

Colombian Ruling Party Announces Support for Samper

PA2501054696 Mexico City NOTIMEX in Spanish 0505 GMT 25 Jan 96

[FBIS Translated Text] Santa Fe de Bogota, 24 Jan (NOTIMEX) — President Ernesto Samper received today the support of the ruling Liberal Party amid the serious crisis faced by his administration in view of the possible involvement of the mafia in his 1994 election campaign.

The party's Political Commission — an advisory body of the National Directorate — stated in a communique issued following eight hours of discussion and analysis that the Colombian Constitution stipulates "the principle of good faith," which they are applying with regard to the president.

Samper was accused by his former Defense Minister Fernando Botero, his right-hand man during his election campaign, of having allowed the entrance of huge sums of drug trafficking money into the campaign and of having participated in certain negotiations with the mafia.

The president, who always had considered Botero his best friend and collaborator, described his statements as "infamous" and said he has never had connections with criminals.

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He announced, however, that he will subject himself to a referendum so citizens can decide if they want the president to retire and when or if, on the contrary, he should remain in his post until 7 August 1998, as the Constitution stipulates.

The communique issued by the Liberal Party's Political Commission indicates that "according to the principles of liberalism of presumption of innocence and good faith and deep respect for due process, these universal principles should be granted to the president."

After noting that the Liberals believe in Samper's word, the political leaders announced they will support all the investigations conducted within the framework of the Constitution until the country finally determines whether or not there was illegal money in the campaign.

Colombia: Samper Testimony to Committee Reported

96CA0094A Santa Fe de Bogota EL TIEMPO in Spanish 9 Dec 95 pp 2-3A, 6A

[FBIS Translated Text] The following is the complete text of the testimony supplied by President Ernesto Samper to investigator Heyne Mogollon. It is a verbatim transcription of the original, including punctuation and spelling.

House of Representatives

Investigations and Accusations Committee, testimony given freely by President Ernesto Samper Pizano, contained in File No. 597.

In Santa Fe de Bogota, D.C., on 26 September 1995, Heyne Sorge Mogollon Montoya, investigative representative and a member of the House of Representatives' Investigations and Accusations Committee, visited the private residence of the Presidential Palace, having been appointed to perform preliminary investigative duties in connection with File No. 597, for the purpose of taking the free and spontaneous statement of Ernesto Samper Pizano. The latter presented identification papers No. 19,111,781 from Bogota, in response to the subpoena received summoning him to these congressional chambers to respond to charges made against him. The hearing was attended by the representative of the Office of Attorney General and duly appointed by the nation's attorney general, Jose Fernando Gomez Gomez, who has attached a copy of that appointment hereto. Jose Manuel Delgado Fiallo, general secretary of the House of Representatives Committee, informed him of his right to name an attorney as his defense counsel, as a result of which he stated that he was appointing Antonio Jose Cancino, there present, who accepted the appointment for this and all subsequent proceedings. Antonio Jose Cancino presented identification papers No. 17,001,612 from Bogota and Ministry of Justice Professional ID No. 3496. Ernesto Samper Pizano was informed that in accordance with Article 283 of the Code of Criminal Procedure establishing the exception to the duty to testify, that he could not be compelled to do so against himself or against his spouse or permanent male or female partner to the fourth degree of kinship or first degree of civil consanguinity. He was urged to tell the truth in his testimony and informed that he was not under oath or any court order in responding to questions put to him.

Question: Ernesto Samper Pizano, would you please identify yourself for us.

Response: My name is Ernesto Samper Pizano. I am of Colombian nationality. I was born in the city of Bogota on 3 August 1950. I am married to Yaquin Strauss and we have two children: Miguel and Felipe. I received my law degree from Ila Pontificia, Javerian University and continued my studies in the United States. I now hold the office of President of Colombia.

Question: Please state whether you understand why you are giving this free, unsworn testimony, counseled by your defense attorney.

Response: Yes, I do. Having learned a few weeks ago that the source of monies contributed to the presidential campaign was under investigation, I went to the House of Representatives Investigations and Accusations Committee in order to make myself available in the event that my own conduct were to be scrutinized in connection with such events.

Question: Would you please tell us what you know and in how you may have participated in the planning of the campaign organization, more specifically, relating to the campaign's finance committee.

Response: The campaign organization was designed in such a way as to provide a clear separation of functions in keeping with the nature of a political campaign in general. In general terms, an operational area was made responsible for logistical aspects and a political area for debate. This had departmental ramifications coinciding with the respective election districts. Within such a framework, the candidate assumed responsibility for delineating the general campaign strategy with respect to programmatic aspects and content. It was the function of a finance committee under the administrative wing of the campaign to design strategies for the collection of funds and the future organization of events for that purpose.

Question: Please tell us in detail who served on the Samper for President Finance Committee and the functions of each of the members.

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Response: The committee was made up of persons with a recognized business and personal background, and although I do not have a precise list, I recall such persons as Pedro Gomez Barrero and Humberto Perala, to give but two examples.

Question: This investigation has inferred that you know Fernando Botero Zea, Monica de Greiff, Julio Andres Camacho, and Juan Manuel Abella. Please indicate whether these persons served on the finance committee of your presidential campaign.

Response: They participated in financial or advertising and promotional activities of the campaign. I do not recall whether they were formally connected with the finance committee.

Question: Please tell since what date and until what date you served as Colombia's ambassador to Spain.

Response: From January 1992 until May 1993.

Question: Do you know Eduardo Mestre Sarmiento and journalist Alberto Giraldo Lopez?

Response: Yes, I do know them.

Question: Inasmuch as you know Eduardo Mestre Sarmiento and Alberto Giraldo Lopez, please tell us since when and under what circumstances, in terms of time and place, you have known them.

Response: I met Eduardo Mestre in connection with political activities early in the last decade when he was involved in the presidential campaign of Alfonso Lopez Michelsen, which I coordinated. I met Alberto Giraldo in connection with his work as a journalist, particularly as a television and radio announcer.

Question: Please tell whether, during the time you were serving as a representative of the Colombian Government as ambassador to the Spanish Government, you were visited by Eduardo Mestre and journalist Alberto Giraldo.

Response: Eduardo Mestre, who at the time was serving as Colombia's ambassador to Geneva, visited Spain several times and we had the opportunity to meet. Alberto Giraldo also visited Spain on at least one occasion, to the best of my knowledge.

Question: Please tell whether, on any occasion during your stay in Spain as the Colombian ambassador, you met with Eduardo Mestre and journalist Alberto Giraldo for the purpose of handling matters relating to your presidential campaign.

Response: Never.

Question: Please explain or tell us what you know concerning statements made by Santiago Medina Serna, who it has been established served as the treasurer of the Samper for President Finance Committee, before the Prosecutors Commission of the Bogota Regional Prosecutor, to the effect that: "...while you were serving as the ambassador to the Spanish Government, Alberto Giraldo and Eduardo Mestre traveled to Madrid in order to meet with you for the purpose of planning campaign financing. Santiago Medina states further that Alberto Giraldo and Eduardo Mestre left Colombia and returned on the same date and that one afternoon at the Cafe de los Espejos on Madrid's Paseo de Recoletos, they concluded the so-called Recoletos Pact. He states that you attended that meeting, Mr. President, along with Eduardo Mestre and Alberto Giraldo. [beginning quotations marks, no end quotation marks, as published]

Response: I hereby state categorically that there was never any Recoletos Pact, that I never made and will never make any pact with drug trafficking. The Recoletos Pact exists only in the imagination of Santiago Medina, who in a twisted manner tried to implicate persons and situations in an alleged agreement in Madrid, which I state clearly never existed.

Question: Just as, in his unsworn testimony given to the Prosecutors Commission of the Bogota Regional Prosecutor, Santiago Medina states that both Eduardo Mestre and Alberto Giraldo traveled to Spain, to the city of Madrid specifically, representing the Rodriguez Orejuela brothers, alleged members of the Cali cartel, at that alleged meeting, which you have categorically denied, Santiago Medina states that Eduardo Mestre was responsible for handling the support which the Rodriguez Orejuela brothers were offering their friend, to wit, Ernesto Samper, and that Alberto Giraldo would remain on the side as an observative of the Conservative process. Please tell what you know about this statement by Santiago Medina.

Response: Never in the campaign did I receive, either directly or indirectly, any offers of aid in the form of money from drug trafficking, and if I had, I would have clearly rejected them. From the very beginning of the campaign, I established a Code of Ethics and named an ethics overseer whose role it was to oversee the source and use of funds, as well as the conduct of persons lending me their support. There were no pacts or any offers of support. Question: Likewise, in his unsworn statement before the Office of the Prosecutor General, Santiago Medina states that at the time he claims the so-called Recoletos Pact was made, the Madrid summit conference was also attended by Monica de Greiff, who would be in charge of finances, Fernando Botero Zea, who would be the general campaign director, Julio Andrade Camacho, shareholder in the QAP News Bulletin and former editor of the periodical CROMOS,

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who would coordinate advertising with German Medina, who planned the advertising campaign. When the first pact was signed at the Cafe de Recoletos, one of those present (Alberto Giraldo) told me a photographer had approached their table and taken a picture of them together. I believe that all those present at the meeting traveled the world searching for the photographer in an effort to retrieve the photo, which would be the best evidence of what I am saying. Please explain what you know about this statement and anything relating to the statements of Santiago Medina about the so-called Recoleto Pact.

Response: Clearly, Mr. Medina's intention, however perverse, is to try to establish a nonexistent connection between the campaign and the Cali cartel, involving those who would be its officials in a hypothetical relationship. At the end of 1992 in Madrid, the persons mentioned did in fact attend a seminar we sponsored with other persons in order to study the general organization of the campaign. The photograph being sought by Medina exists only in his mind, because there was no meeting or pact or agreement or commitment or connection of any kind. I repeat that the Recoletos Pact never existed.

Question: It is inferred, in this preliminary investigation, that you know Santiago Medina. Please explain since when and under what circumstances you have known him.

Response: Mr. Medina worked closely with the presidential campaign treasury of Luis Carlos Galan and Cesar Gaviria. He also did so with the national leadership of the Liberal Party and, with these recommendations in hand, offered to handle the treasury duties for our campaign. Previously, I had had social contacts with him.

Question: Do you know Miguel and Gilberto Rodriguez Orejuela and Jose Santacruz Londono and, if so, since when and why you have known them.

Response: I do not know them personally. I know them just as the entire country does, through the press and via the same social acquaintance which the city of Cali has had.

Question: Mr. President, please inform us whether, during your term, the Rodriguez Orejuela brothers and other members of the alleged Cali cartel appealed to your government via documents or third persons before being caught by law enforcement agencies, in an effort to negotiate their surrender to justice.

Response: While in office, I made the decision to begin to dismantle the so-called Cali cartel, which process could take place either via their surrender, as provided for by existing law, or the capture and surrender of the cartel leaders. On various occasions, the government actually received messages concerning the cartel leaders' desire to surrender to justice. Such messages were always turned over to the Office of the Prosecutor General, the agency legally empowered to handle the surrender process. At all times, the government offered the guarantee of a fair trial and safe imprisonment, but the terms of surrender could not be agreed upon, and the government, which had embarked upon the hunt from the very beginning, continued its investigations. This very quickly led, during the first half of this year, to the successful dismantling of the leadership of the Cali cartel. The messages came to us via the various officials who had received them.

Question: In his statement made before the Prosecutors Commission of the Bogota Regional Prosecutor, Santiago Medina states that the friendship of the Rodriguez Orejuela brothers is longstanding, going back to the first presidential precandidacy of Ernesto Samper, they told him, and that when you were seriously injured, once able to travel, you were taken to the United States on a plane chartered by them. Alberto Giraldo is said to have carried the briefcase containing dollars in cash to pay for your care. Likewise, they came to your aid when Pablo Escobar kidnapped Daniel Samper, saying that you, Mr. President, Ernesto Samper, asked them to help your brother and they interceded with the *capo*, obtaining his release and making sure that he would be moved and settled in Spain. Mr. President, in a previous statement, you said you did not know the Rodriguez Orejuela brothers. Please explain the reason behind the statements made by Santiago Medina Serna.

Response: They are lies. Public opinion knows that I was saved and recovered thanks to the care of Colombian doctors at the National Welfare Fund and traveled to the United States to convalesce aboard an Avianca plane, as shown in the file, returning aboard the plane of Dr. Carlos Ardila Lule, who very kindly offered it to me. I received no medical treatment in the United States other than a peaceful convalescence. As for the alleged kidnapping of my brother, I could scarcely have helped rescue him if he was never kidnapped! He had gone to Spain as the European correspondent for the newspaper EL TIEMPO. In addition to all other proof, these two facts are common knowledge. When I start wondering how anyone could invent so many lies and make such slanderous statements, I find no explanation other than the fact that Medina never accepted not being appointed to a diplomatic post as he had requested from the time I assumed office as president.

Question: Mr. President, please explain what duties were performed during your campaign by Jorge Valencia Jaramillo.

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Response: From the very start of my campaign, I made a decision to set up every possible control and mechanism to guarantee its transparency. With the aid of prestigious legal professionals, we worked out a code of ethics governing how we would oversee the origin and use of resources and classify political support. Public opinion was even treated to a famous episode in which we rejected the support of two congressmen because of their participation in an equivocal meeting. A number of checks and contributions about which there might be doubt were returned. An ethics overseer, Jorge Valencia Jaramillo, was placed in charge of overseeing the application of these standards of conduct. On several occasions, I reminded campaign officials, starting with Mr. Medina, of the existence of these ethical constraints and of my determination to enforce them throughout the campaign.

Question: Please state whether, during the course of your presidential campaign, you received reports from Santiago Medina Serna, campaign treasurer, on donations and income coming into the campaign and on campaign expenditures.

Response: My contact with the administrative and financial affairs of the campaign was very sporadic. I attended meetings at which funds were collected and was even careful not to be present during the actual delivery at it group events, so as not to offend contributors. Mr. Medina would occasionally pass on reports, in writing, on contributions that he received, but the truth is that, as in any campaign, the candidate's role with respect to these financial matters was confined to maintaining relations with big companies and groups of companies and appearing at social events held for the public collection of funds, events such as banquets, dinners, seminars, and so on.

Question: In his unsworn statement made before the Prosecutors Commission of the Bogota Regional Prosecutor, Santiago Medina Serna states that the organizational plan of the Samper for President campaign made it possible to divert undeclared resources. The campaign had a spending limit of 4 billion pesos set by the Election Council and, to the best of my knowledge, I saw expenditures—Medina says—exceeding 9 billion pesos. As noted in previous statements, Medina Serna says, the campaign plan listed Ernesto Samper as the candidate and the general campaign director, Fernando Botero Zea, reported to him. As shown by a document which I have placed in this file, a document written in his hand, Botero organized two finance committees: a finance committee headed by me and responsible for collecting monies from a well-known group of companies and whose main purpose was to coordinate regional treasuries created to collect monies throughout the country. A second committee was headed by his assistant and current adviser as minister of defense, ie., when Fernando Botero Zea was minister of defense. That committee was headed by Fernando Corredor, who basically collected monies from multinational companies and businesses whose legal status did not allow them to appear as donors. These monies were handled directly by Fernando Corredor, and no other person involved in the campaign had direct access to them. Santiago Medina further claims that another person collected monies directly with [as published] Ernesto Samper, basically from multinational companies and financial institutions that did not wish to be registered as donors. That person was Juan Manuel Turbay, currently secretary of the Office of President, who, together with you, Mr. President, a presidential candidate at the time to which Santiago Medina refers, met in your apartment, Mr. President, without my—Santiago Medina—having access to the use of such monies. Mr. President, please tell us whatever you can about this statement by Santiago Medina.

Response: It is not true that the campaign was planned to divert resources. That statement was made in bad faith. Based on what I know about campaign organizations, ours was modeled after any common, ordinary business, both with respect to its administrative systems as well as its methods of followup and control. According to information given to me, the total expenditures of my campaign amounted to some 3.8 billion pesos. I recognize that a great deal of confusion exists, and that only when the audits and inquiries into legal technicalities are finished will we know the truth about the presidential campaign books. With respect to the existence of two committees, I believe that this is another statement made in bad faith. It is my understanding that potential contributors were classified based on their importance, and that different campaign groups were responsible for handling large and small companies and individual contributors. This is a valid fund-raising practice traditionally used in such countries as the United States. It is not true that Juan Manuel Turbay collected any contributions at all. That was not his function or responsibility. Actually, Fernando Botero reported to me as the campaign coordinator. I can guarantee that not a single check or contribution would have passed through my hands either directly or indirectly without my turning it over to the campaign to be examined, recorded and accounted for.

Question: Santiago Medina Serna, treasurer of the Samper for President Campaign, also claims in his unsworn statement made before the Prosecutors Commission of the Bogota Regional Prosecutor that on 29 April 1994, Fernando Botero Zea summoned him to his office at three o'clock in the afternoon and told him it was nec-

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essary to accept support being offered by persons from the Cali cartel, but that they would give us [as published] no money if a campaign official would not travel, correction, did not travel with Alberto Giraldo. Santiago Medina states that Botero Zea told him that you, President Ernesto Samper, wanted that person to be me, ie., Santiago Medina, but that he had been told, ie., by you, that you would discuss the matter only through Fernando Botero. On Monday, 2 May, a meeting was held on the 33rd floor of the Royal Orchid [Orquidea Real] Hotel, headquarters for the campaign research center. We had a meeting scheduled with Enrique Penaloza and Leonide Arredondo Calvo, who made a donation for the country's free zone. Santiago Medina goes on to say that at that meeting, he had an opportunity to speak with Dr. Samper. Mr. President, you told him that the Doctor, correction, that Dr. Botero had asked him, ie., Santiago Medina, to go to Cali with Alberto Giraldo to attend a meeting to collect those funds. He told me—this refers to you, Mr. President—that he wanted to be left out everything and that we should arrange whatever we deemed suitable with Fernando Botero. We therefore arranged to go to Cali on Wednesday, 4 May. Upon arriving in that city, we were met at the airport by a man I did not know driving a pickup truck. We drove to an apartment house about 14 stories high in downtown Cali and proceeded to the penthouse, where Gilberto and Miguel Rodriguez Orejuela were waiting, along with Elmer Herrera and Jose Santacruz. They were most cordial, which caused me, ie., Santiago Medina, to recover from extreme case of nerves brought on by meeting such persons. Fernando Botero had given me precise instructions to ask for the 2 billion pesos needed to get through the first phase, ie., of the Samper for President campaign. Likewise, in order to achieve this goal, Dr. Botero asked me to speak on behalf of candidate Samper and to present five points that he, ie., you, Ernesto Samper Pizano, had dictated to me, and he proceeded to append a sheet of the memorandum to the record of the hearing and Santiago Medina then read the following points from that memorandum: 1—Candidate Samper is grateful for the support which they are offering to him and values their help in becoming president. 2—Ernesto Samper supports the policy of surrender and the negotiating process for overcoming narcoterrorism, violence and drug trafficking. 3—He supports Prosecutor Gustavo de Greiff in his handling of issues relating to drug trafficking. 4—As his top priority during the first six months of government, he pledges to pave the way for the process of surrender for the Cali cartel. 5—Strictly within the framework of the constitution and the law, the new government will do everything in its power to see that this process reaches a successful conclusion. Medina Serna goes on to say that the Rodriguez Orejuela brothers and Jose Santacruz gave him a document addressed to Dr. Samper, which he, ie., Santiago Medina, personally delivered to him in his office and, once back in Cali, reported on the meeting they had held. This was an open, 2-page document signed by Gilberto and Miguel Rodriguez Orejuela and expressing their unconditional support based on their long friendship dating back many years. In the document, they expressed their interest in seeing that he, ie., you, would become the nation's president. They asked me to obtain a meeting with Dr. Samper, in Bogota if need be, but you, Dr. Samper, refused to see them, stating that it would be found out sooner or later and would therefore not be suitable. Santiago Medina goes on to say that the money contributed by the alleged members of the Cali cartel for the first phase totaled 1 billion pesos. They sent 500 million through Alberto Giraldo, which money was used to pay Leopoldo Montejo, Jr. for bills and advertising. However, it should be stated in this question that Santiago Medina subsequently stated that it was Mauricio Montejo to whom Dr. Botero had authorized this delivery to be made by Alberto Giraldo. Santiago Medina also states that he received some 70 million pesos through Juan Manuel Abella. The rest he gave in cash to one Mr. Prieto, son of Luis Prieto Ocampo, who handled all radio and television matters for the campaign, and the rest of the money, ie., 1 billion pesos, was given to various political leaders and bosses in the city of Cali. Mr. President, please tell us all that you know or have learned concerning this statement by Santiago Medina Serna to the Office of the Prosecutor General.

Response: Santiago Medina bases his entire statement on twisted logic consisting of the use of false syllogisms mounted on a true premise for the purpose of drawing a false conclusion. For example, he says that I had a meeting at the Royal Orchid Hotel with the spokesmen of the free zone, which is true, and from that deduces that I sent him to ask for illicit monies after the meeting, which is absolutely false. Medina knew the rules set by the campaign in order to prevent the infiltration of ill-gotten monies. I repeated them, not once, but several times, including once in the presence of Fernando Botero. I recall another time at night, outside my office building at the Calle 72 headquarters, when I once again stressed the need to preserve the transparency of the campaign. He asked me to speak privately, came into my office and told me that the following day he had a breakfast scheduled in Cali with people who were not well-known. I ordered him to cancel it and he promised to do so, but I never learned whether he did so. Inasmuch as he never obtained my authorization, either direct or indirect, to engage in any such dealings, if he did, he acted on his own and at his own risk, inasmuch as some were apparently for his own benefit, as we

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have now begun to learn. Obviously, with respect to his alleged visit to the Cali cartel, I was never notified either, much less about the document he mentions in his statement or the request for an alleged meeting. Here Medina is guilty of another serious contradiction: If, according to his own false story, there had been a longstanding friendship between the people of the Cali cartel and the candidate, why then use him as a middleman to obtain such a meeting? In short, there was no order, no document, and no request for a meeting. The theory about the pledge which Medina tries to construct simply falls apart. Throughout the campaign, my opinions rejecting drug trafficking, the policy of surrender and the need to preserve the sovereignty of our justice were made public. Furthermore, the action taken by my government openly contradicts this fable about any alleged commitment: all members of the cartel behind bars, 50 percent of the illegal crops destroyed, the policy of surrender modified to prevent its misuse, and the drafting of the anticorruption statute aimed at fighting money laundering. Can anyone imagine that the results achieved by my government would be based on such a pledge?

Question: Santiago Medina Serna also says in his unsworn statement made before the Prosecutors Commission of the Bogota Regional Prosecutor, in reference to the presidential campaign, that: "By the second phase, the crisis was total. The campaign was out of money, in addition to which it had already used up the 4-billion limit authorized by law. Botero asked me to accompany Alberto Giraldo to Cali for the second time because if I, ie., Santiago Medina, did not go, representing the campaign, they, meaning the Rodriguez Orejuela brothers, would not help with the second phase. We made another trip to the same place following the same arrangements: On the morning of 15 June, we hopped a commercial Avianca flight. Alberto Giraldo stayed there, but I had to return that afternoon on a different airline because at six o'clock that afternoon, I was scheduled to attend the meeting of the Colombian Democratic Association. Mr. Medina goes on to say that on that occasion, they brought strong pressure to bear inasmuch as they were not only helping Dr. Samper, but also, to a lesser extent, the conservative candidate. However, my commitment, Medina Serna says, was to ask for 4 billion pesos and I got it. They agreed to send the money to Dr. Botero, provided that receipt of the money would be acknowledged. Miguel Rodriguez Orejuela has the proof in his hands, a paper showing the use of the 4 billion pesos as ordered by Fernando Botero. The paper bears Botero's letterhead and signature. [Beginning quotation marks, no end quotation marks, as published]

Mr. President, please tell us what you know or learned before or after the presidential campaign concerning this statement by Santiago Medina.

Response: The first knowledge I had of these alleged events came after the newspaper EL TIEMPO's publication of Mr. Medina's statement. I have already stated what information was given to me on the subject of the maximum contributions and how Botero, following my orders, instructed all campaign members about the ethical control of monies. I might add that after the first phase, I negotiated directly with the three most important financial groups concerning contributions amounting to a sum which, if my memory serves me correctly, totaled 3 billion pesos. Obviously, I cannot express any opinion about details relating to circumstances of which I am totally unaware.

Question: During this investigation, it has been established, as a result of statements made by Alberto Giraldo Lopez and Miguel and Gilberto Rodriguez Orejuela that at some point in your presidential campaign, the Rodriguez Orejuela brothers offered, through Alberto Giraldo, to make a financial contribution to the campaign of Andres Pastrana as well as your own and that the offer was rejected by the treasuries of the aforementioned political campaigns. Please tell us whether you had any knowledge of this fact.

Response: The knowledge I had of this fact was what public opinion in general gained when the content of the so-called "narcotapes" was learned only hours before the presidential elections. The day after the election, I made the decision to call upon the Office of Prosecutor General to investigate the events resulting from the tapes. Subsequently, and in keeping with that same decision, on two different occasions I again asked the Office of Prosecutor General to reopen the investigation. That was the stance I took on this matter now made public.

Question: Please tell us whether on any occasion Fernando Botero spoke to you about the facts related by Santiago Medina in connection with the alleged meetings with the Rodriguez Orejuela brothers and members of the Cali cartel during or after the campaign.

Response: Fernando Botero never mentioned those events to me, probably because he had no knowledge of them.

Question: Please tell whether, on any occasion during the election campaign, the National Election Council conducted any audits of the campaign.

Response: I have no knowledge of such a thing, but I presume that it must have.

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Question: In one portion of Mr. Medina's unsworn testimony given before the Prosecutors Commission of the Bogota Regional Prosecutor, he says: that after the first phase, a meeting was held at journalist Alberto Giraldo's apartment in the city of Santa Fe de Bogota. Participating in the meeting were you, Mr. President, Humberto de la Calle Lombana, Fernando Botero Zea, and General Miguel Alfredo Maza Marquez. The meeting's purpose was to handle General Maza's support for your presidential candidacy. However, in exchange for his support, the latter demanded the sum of 175 million pesos, equal to the amount of General Maza Marquez' campaign debt. Santiago Medina Serna goes on to state that once the support materialized based on these parameters, Alberto Giraldo delivered the money in question, the source being a contribution made by friends of General Maza in the city of Cali. Furthermore, once the sum of money had been paid to General Maza, he publicly announced his support for your presidential campaign. Please tell whether that meeting was in fact held and anything else you can about the pledge mentioned by Medina Serna and made to gain General Maza's support for your candidacy.

Response: After the first phase, we turned to the task of obtaining the support of presidential candidates participating in the first phase. To that end, Humberto de la Calle, Fernando Botero and I did in fact meet at Alberto Giraldo's apartment in order to discuss on what terms the support mentioned could be gained. General Maza spoke of his interest in the issues of the Atlantic Coast and security. I spoke of the importance of social issues. We agreed that he would make a statement of support and that on the following day, we would go to the city of Santa Marta to formalize our agreement, which is what we did. At no time was the financial issue mentioned, nor did General Maza say he had a debt, nor did we ever make him any monetary offer. Alberto Giraldo did not attend that meeting.

At this point in the hearing, 1:25 PM, the hearing was recessed for lunch until 2:30 PM. The record was signed by those participating: Heyne Serge Mogollon Montoya, investigating representative; Ernesto Samper Pizano, witness; Antonio Jose Cancino, defense counsel; Fernando Gomez Gomez, representing the Attorney General's Office; and Juan Manuel Delgado, general secretary.

Continuation of the testimony given freely by President Ernesto Samper Pizano, previously recessed and automatically initiated by the House of Representatives Investigations and Accusations Committee, Santa Fe de Bogota, 26 September, at 3:30 PM. The investigating representative resumed the hearing of the free testimony given by Ernesto Samper Pizano, assisted by defense counsel Antonio Jose Cancino, Fernando Gomez Gomez, representing the Attorney General's office, and Jose Manuel Delgado Fiallo, general secretary of the Commission.

Question: Do you know Mauricio Montejo, Jorge Herrera Barona, and Julian Murcillo Posada?

Response: I know Mauricio Montejo and Jorge Herrera Barona personally, the former through his family and the latter for several years in connection with his business, sports and political activities. I do not know Mr. Murcillo.

Question: Do you know Carlos Julio Posada, and if you do, under what circumstances did you meet him?.

Response: I do not know him either.

Question: Mr. President, in this investigation, it has been established by the testimony of various witnesses that Carlos Julio Posada donated 20,000 T-shirts to your presidential campaign. Please tell what you know or what you have learned about that donation.

Response: On this point, the only information I have is that gained through the media at the time of the so-called Trial 8000. I do not have and did not receive direct information about this fact during the campaign.

Question: In his unsworn statement given before the Prosecutors Commission of the Bogota Regional Prosecutor, Santiago Medina states that in his presence, ie., in the presence of Santiago Medina, he was in the course of the campaign given donations and, on several occasions, checks in dollars that never appeared on the list of funds collected by the treasury run by Medina Serna. Please tell what you know about the statement made to that effect by Santiago Medina and whether or not it is true.

Response: As a matter of principle, I never received checks in dollars and am surprised that Mr. Medina would say that he could not come to receive the checks but was present on other occasions, that he did not know about them and yet received the checks. How would I know whether or not they were recorded when this was precisely Mr. Medina's task? As I have stated during this hearing, no contribution passed through my hands—many did, of course, because people like to give money to the candidate—that I did not immediately turn over to the campaign, to Medina himself in most cases so that such contributions could be examined, recorded, and accounted for. That was as far as my role went. You will understand that for the candidate, verifying bookkeeping entries, drafting reports, consulting with the ethics overseer, in short, anything involved in a

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normal process for making a campaign contribution [as published].

Question: Do you know Maria del Pilar Espinosa de Geneco and if so, would you please explain how you came to know her?

Response: I met Maria del Pilar because she is related to Lucas Geneco, former governor of Cesar. During my campaign in that department, the political group to which the governor belonged supported my candidacy and Maria del Pilar was involved in that effort.

Question: Mr. President, what can you tell us about the statement made by Santiago Medina Serna in one part of his testimony before the Prosecutors Commission of the Bogota Regional Prosecutor to the effect that: "Part of the 20 million pesos in dollars, collected or received by administrative officials of the campaign, were received by him and part delivered by me, ie., Santiago Medina, to Ernesto Samper. I say 'received,' because on the last page of the collection folder for 30 May to 4 June of 1994, there appears a check for $70,000 from the Livestock Bank [Banco Ganadero] of Miami, written by Mrs. Maria del Pilar Espinosa de Genneco, who is married to Jorge Genneco, who is your second cousin, Mr. President, and who has had problems with the law. Santiago Medina Serna goes on to say that $30,000 in cash was given by me, ie., Santiago Medina, to you, Ernesto Samper Pizano. [Beginning quotation marks, no end quotation marks, as published]

Response: I never received a dollar from Santiago Medina. He was the treasurer, not I. Far be it for me to be Santiago Medina's treasurer! During the campaign, I was visited by several members of the Genneco family to which I have referred, and they told me they had held or staged a raffle for an automobile or pickup truck to collect funds they had with them. I therefore asked Mr. Medina, who at the time was in the room next to the terrace of my apartment, to accept the contribution and had nothing further to do with the matter. I subsequently learned the story about the check, which was blank and which I understand was used to pay an advertising account. Concerning the $30,000 in cash of which Mr. Medina speaks, I can tell you that I do not have the slightest information.

Question: Mr. President, what can you respond in answer to the statement made by Santiago Medina Serna before the Office of the Prosecutor General to the effect that on 28 May, the day before the election, he stresses, mysterious persons gave him checks in dollars. Santiago Medina Serna goes on to say during those hearings that from 23 to 27 May 1994, you, Mr. President, were given several checks by the company Radiobroadcasters United, Inc. [Radiodifusores Unidos, S.A.], and that like the others, they are not listed among the funds collected or on treasury books.

Response: As I said previously, I did not receive checks in dollars, much less "from mysterious persons," as Medina claims in his fictional testimony. It is very easy to make charges without stating circumstances or the individuals involved. In addition, it seems to me that he has the date wrong because there is no busier person in the world than a candidate on the eve of an election! With respect to Radiobroadcasters United, Inc., I understand criminal proceedings are underway in order to shed light on some conduct, including that of Mr. Medina.

Question: Do you know Mrs. Maria Leticia de Rengifo and if you do, can you tell us what duties she performed in your presidential campaign?

Response: I have known Maria Leticia de Rengifo for several years. She has a law degree from Javerian University, is married to Dr. Marino Rengifo and has one child. During the campaign, she helped organize social gatherings and, later on, other social activities for the purpose of raising funds. One of these, to which I understand the question refers, was held in Cali and was supported by the entire Jewish colony in the Department of the Cauca Valley, naturally made up of decent, honest people.

Question: What can you tell us about the statement made by Mr. Santiago Medina in his unsworn testimony before the Prosecutors Commission of the Bogota Regional Prosecutor to the effect that through Mrs. Maria Leticia de Rengifo, a great deal of money was received that is not accounted for by your presidential campaign treasury?

Response: That is what continues to seem absurd to me about these proceedings: If Santiago Medina, who was the treasurer, knew of monies that had not been recorded, when it was his duty to do so in that capacity, then why did he not do it? The specific case of Maria Leticia Ortega, which I understand is named in the file, the list of persons attending the dinner to which I referred [as published].

Question: Both in his free testimony and in the unsworn statement given by Santiago Medina before the Office of the Prosecutor General, he mentions an incident that took place at the Hotel Intercontinental in Cali during your political campaign. Medina says that at that political event held in that place, while he was in the bathroom taking care of his physiological needs, a man whom he did not know approached him claiming to be a relative of Senator Aurelio Iragorri Hormaza and, on behalf of the Cali cartel, offering financial support to

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your presidential campaign. Mr. President, please tell us whether Santiago Medina Serna commented on this incident to you.

Response: Medina never told me about this incident, most certainly because he knew, as I have frequently repeated during this hearing, that I would reject it. Moreover, it seems to me that a bathroom is the least appropriate setting for receiving such offers!

Question: Do you know Nelson Urrego and Luis Jorge Ferro?

Response: I do not know Mr. Urrego personally. I know of him because of his background in the public eye. [I know that] Luis Jorge Ferro is a prominent professional person.

Question: What can you tell us, during this hearing, about the claim made by Santiago Medina Serna in his unsworn statement before the Office of the Prosecutor General to the effect that Mr. Nelson Urrego donated 100 million pesos to your campaign, which money was given in dollars directly to the candidate to support his campaign.

Response: Precisely what I have always said: that it is totally false. What would be truly interesting to learn is the real destination of those sums and, if they indeed went through my hands, where and in whose hands they ended up!

Question: Santiago Medina Serna states, in his testimony before the Office of the Prosecutor General, that through Luis Jorge Ferro, whom you claim to know, a French firm loaned him a jet airplane for his company and that that company was interested in being awarded contracts whose management would involve Mr. Medina. Mr. Medina goes on to say that that French firm gave him monies for your campaign and that they were used abroad. Mr. President, please explain what you know about this claim made by Santiago Medina.

Response: The extent of my knowledge about this issue is that a group of businessmen from Santander, who at one time had founded an airline company to provide transportation and safe travel for Luis Carlos Galan, also took it upon themselves to hire an airplane, of French registry, it is true, to handle some of my campaign trips. With respect to the question of whether this resulted in anything being offered in return, there was never any offer or request by them or by the campaign, and I have no knowledge that money was handed over abroad.

Question: It is inferred that you know Armando Bennedetti Jimeno. Mr. President, please tell us what duties may have been performed by Benedetti Jimeno.

Response: Armando Benedetti helped coordinate my campaign in Atlantico Department.

Question: In his unsworn statement, Santiago Medina states that Armando Benedetti Jimeno received money for his presidential campaign called the Coastal cartel. Please tell us what you know or have to say about this claim by Santiago Medina Serna.

Response: It is my understanding that Armando Benedetti has demonstrated before the prosecutors at the Supreme Court of Justice the absolute falsity of that statement. Whatever the case, my personal acquaintance with Mr. Benedetti dating back many years enables me to vouch for his honesty, professional competence and reputation as a decent man in the Colombian region of the Caribbean.

Question: In a statement made under oath during this investigation, Fernando Botero Zea said that in the course of your presidential campaign, he received donations in money from prestigious commercial firms in this country or established in Colombia, which donations he, ie., Botero, deposited in his accounts abroad. Later, via an account which he, ie., Fernando Botero, had in a bank in Panama City, he transferred the money to the treasury of your presidential campaign. What knowledge do you have concerning this statement made by Fernando Botero Zea?

Response: I learned only recently of the existence of these accounts and of the operations transacted through them. I am confident that the explanations given by Fernando Botero are convincing.

Question: What can you tell this hearing about the fact established by the investigation concerning a check for 40 million pesos written by La Estrella Agricultural Marketing Company, Inc. [Comercializadora Agropecuaria La Estrella, Ltda.] a check which Santiago Medina Serna says found its way to his office, ie., the national treasury of the campaign, which in turn delivered it to Jorge Herrera Barona, treasurer of your presidential campaign in Valle del Cauca Department?

Response: Concerning this operation, I have no more knowledge than what has been made public and the version given to me by Jorge Herrera Barona himself, a man I deem to be decent and honest. It was apparently a money laundering operation via which Mr. Medina would be paid with that check for some paintings that he had sold to the Rodriguez family. One would suppose that the investigation now underway [will show] that in exchange for that money, an equal sum of clean money would be withdrawn from the campaign.

Question: Do you know Mrs. Elizabeth Montoya de Sarria and if you do, Mr. President, would you tell

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us how long you have known her and what duties she performed for your presidential campaign?

Response: I met her several years ago when she was involved in political campaigns in Valle del Cauca Department and through social projects such as police rehabilitation. I [as published] worked sporadically on my first campaign doing canvassing and occasionally making some contribution to regional activities. She played no role in my presidential campaign, nor was she among its officials.

Question: Expanding upon testimony given before the Office of Prosecutor General, Santiago Medina Serna states that Elizabeth Montoya de Sarria had for years worked as one of your closest aides, specifically, as a coordinator of financial support for your presidential campaign in Valle del Cauca, Cauca, and Narino Departments, and that she helped him obtain money in San Andres and Providencia with foreign investors, securing large sums of money, particularly in dollars. Mr. President, please tell us what you know in connection with this statement by Santiago Medina Serna.

Response: Like all the rest, it is false. The campaign had its financial coordinators who were known and recognized in all departments. In Valle del Cauca, it was Jorge Herrera and in Narino, Julian Narvaez, president of the Chamber of Commerce, to cite but two examples. In Antioquia, [it was] Jhon Gomez Restrepo. Mrs. Sarria tried to negotiate contributions from well-known international firms which were to come in at a meeting that never took place, as proven by an article to that effect in a well-known periodical.

Question: Mr. President, would you tell what you know about the Association of Friends of the Atmosphere with respect to duties which that association may have performed in raising funds for your presidential campaign?

Response: The Association of Friends of the Environment was created to substitute an ecologically sound criterion of park construction for the previously devastating type of activities in which we engaged, by means of the sale of advertising on barricades. It was an original idea of personal friends which had the backing of my wife and which, as was recently convincingly demonstrated, involved no diversion of monies from the association to the campaign.

Question: Please tell whether, during your campaign or during the term of Gustavo de Greiff, the alleged members of the Cali cartel asked you to intervene or take action before the Office of Prosecutor General regarding the surrender to Colombian justice.

Response: They never did so, among other reasons, because De Greiff left the Office of Prosecutor General a few days after the day I took office.

Question: Please tell whether at any time and during the period of your campaign or thereafter, you learned of an alleged triangulation in the payment of bills, more specifically, in payments for advertising, to which Santiago Medina Serna refers in his testimony before the Office of Prosecutor General.

Response: No, I have no such knowledge.

Question: Mr. President, please tell us in this statement made without your being under oath, whether at any time during your campaign or after, or in exercising the duties of your office as President, you ever received any information that any individual or corporation made donations either in money or in kind that are now coming under serious scrutiny by the Colombian courts.

Response: During the campaign, I never had any such information. Later, when in office, I received news of legal proceedings of which everyone is aware.

Question: Please tell us, Ernesto Samper, whether you have anything more to add to these proceedings.

Response: I have waited many long months to see justice done. During that long wait, I have been the victim of wrongs, slander, and distortions. The maliciousness has extended to my family. In the midst of the silence of a person who, because of his high office, cannot become embroiled in controversies over personal matters, I have come to think that no citizen is more defenseless in the face of legal action than the very president himself? When what is at stake is the dignity of the country, that personal sacrifice is justified. I have had the satisfaction throughout this process that I have obstructed no investigation and coerced no medium of information in its task of providing the news. Today I hope I have confirmed my innocence, deflated the slander and contradicted false evidence. The Colombian people must judge my conduct, not based on the perverse origin of this process, an accused person who has become an accuser, but rather, based on a broad scrutiny of a clean record such as mind and the resounding acts of a government which, acting on principles rather than as a result of coercion, has succeeded in dismantling one of the most powerful criminal organizations in the world and bringing its country closer to the end of one of the most terrible chapters in its history, the drug chapter. Throughout these months, I have been subjected to all manner of pressures, internal and external, personal and political, but I have always held my head high because my conscience is clean. I am sure that this will be recognized by the honorable Investigations and Accusations

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Committee, whose discreet work I publicly recognize. The truth is what the country wants and needs, the truth with due process, the truth while respecting the right to one's own defense, free debate over the evidence and, above all, to the continued existence of the universal principle of the presumption of innocence.

Having served its purpose, these proceedings are declared closed once the record has been read and signed by those participating in it.

Heyne Sorge Mogollon Montoya, investigating representative; Ernesto Samper Pizano, witness; Jose Fernando Gomez Gomez, representing the Attorney General's Office; Antonio Jose Cancino, defense counsel; and Jose Manuel Delgado, general secretary.

Peru

Peruvian Daily Urges U.S. Commitment on Anti-Drug Work

PY2401190596 Lima EL COMERCIO in Spanish 16 Jan 96 p A2

[Editorial: "Lack of Equity in Drug Enforcement"]

[FBIS Translated Text] Numerous successful drug enforcement operations were conducted last week in our country which resulted in several arrests and the confiscation of important drug shipments.

Just a few days ago a small Colombian plane carrying just over 500 kg of drugs was forced to land at the Yurimaguas airport as a result of a joint operation with the participation of U.S. and Peruvian planes, and U.S. and Peruvian air defense experts.

Later, a person was arrested at the Jorge Chavez International Airport trying to smuggle over 9 kg of cocaine hydrochloride out of the country. Even though the amount of drugs seized was relatively small, what is important in this operation is that it seems that as a result, authorities were able to dismantle a drug distribution network. This is concluded from the fact that the individual in question had been making constant trips between Peru and the United States for the past 7 years. She made five trips last year alone, and at the time of her arrest she had just returned to Peru.

The most important seizure, because of the amount involved, was that made by Antinarcotics Police in the township of Santa Rita del Sur, Chaglla district, in Pachitea Province.

This haul entailed 5.5 tonnes of marijuana that was seized with DEA support and involved four helicopters. It is the largest marijuana shipment ever seized in a single operation and was conducted in the presence of a prosecutor.

It is obvious that the Antinarcotics Police are very active and have been successful in many operations. This is very satisfactory and should be praised.

Similar efforts are also being made in Bolivia and Colombia, the other two latin American countries which — with Peru — are reputed for having the highest drug production and distribution indexes.

Bolivia last year amply fulfilled the commitment it made with the United States to eradicate surplus coca; as the initial quota of 1,750 hectares was fulfilled in June, a new goal was established to eradicate 3,650 hectares by December.

Moreover, Colombia has achieved notable successes with the arrest of important drug kingpins — which cannot be tarnished by the recent escape of a well-known criminal — and the main drug cartels have virtually been dismantled.

A lot remains to be done before we can allege that enforcement is in its final stages. Nevertheless, the important steps that have been made in these countries and, particularly, the efforts by their respective governments, is worth mentioning.

However, this last and highly important fact seems to be overlooked by the U.S. Government which, according to a Bolivian Foreign Ministry report, is not complying with the agreements signed with coca producing countries.

The report states that in 1995 the United States launched a campaign against coca producing countries, compelling them to make great efforts to eradicate coca crops, and threatening to cut off economic aid for drug enforcement programs if established goals were not met.

Even though the demands were met, the United States has not honored the agreements signed in Cartagena, Colombia, in 1990 during a summit then U.S. President George Bush held with the presidents from the three coca producing countries. Moreover, it has not fulfilled what was agreed in a subsequent summit in San Antonio, Texas in February 1992.

This reflects an obvious lack of equity that must be amended as soon as possible because drug enforcement entails great efforts for small producing countries [as published] while the social cost to replace coca crops is too high.

The United States should fulfill the commitments made at the highest level because, as we have repeatedly stated, illegal coca crops would be senseless without the huge demand they enjoy in the U.S. market.

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Thai Deputy Prime Minister Pays Visit to Peru

PY2501120596 Lima EL COMERCIO in Spanish 16 Jan 96 p A4

[FBIS Translated Text] Amnuay Viravan, deputy prime minister of Thailand, yesterday started an official visit to Peru during which he will hold meetings with high-ranking government authorities and businessmen.

The Thai visitor had a private meeting yesterday with Peruvian President Alberto Fujimori. The meeting was of a strictly protocol nature.

Later, he met with Foreign Minister Francisco Tudela. It should be pointed out that Amnuay Viravan is responsible for Thailand's international economic affairs. The meeting with Tudela, which lasted 30 minutes, started at 1100.

The visitors later met with Liliana Canale, minister of industry, tourism, integration, and international trade negotiations.

In the afternoon, the Thai deputy prime minister held a meeting with Congress President Victor Joy Way at his office in Congress.

Today he is scheduled to attend a business breakfast with Foreign Minister Francisco Tudela at Las Americas Hotel, in Miraflores neighborhood. Thai businessmen of the banking, mining, fisheries, and agro-industrial field will attend the meeting.

High-ranking Thai Government representatives, who are accompanying the deputy prime minister, as well as Peruvian Vice President Ricardo Marquez and representatives of the business sector will also participate in the event.

Marquez and Tudela will take advantage of this opportunity to refer to the current status of bilateral economic and commercial relations and the business opportunity Peru offers.

Peru Plans To Strengthen Air Force With New Aircraft

PY2501004396 Lima EXPRESO in Spanish 14 Jan 96 p A4

[Unattributed report for EXPRESO from Nevada]

[FBIS Translated Excerpt] During the Ninth International Aerospace Fair (FIDA), to be held in Santiago in March, the Peruvian Government will acquire modern military aircraft to strengthen its Air Force. This information was disclosed by military consultants linked to the Nellis Air Base, where the Red Flag, Air Warrior, and Gunsmoke maneuvers, used to train pilots of the U.S. Air Force and 22 allied countries, are held every year.

The F-15 Fighting Falcon, considered a substitute for the British Spitfire due to its performance capacity in fierce combat and the Japanese Zero due to its range, is allegedly the aircraft chosen by the Peruvian Defense Ministry strategists and experts.

However, there allegedly is a group of Peruvian Air Force advisers who believe Peru should purchase Russian MiG-29 or Sukhoi 27 aircraft because the Peruvian pilots have been familiar with these aircraft since the 1970's, when, due to the close ties the dictatorship headed by General Juan Velasco Alvarado had with the communist bloc, they received military training for several years.

Others believe that the best choice would be to acquire Mirage 2000 aircraft from the French Marcel Dassault company, which recently signed an agreement with Qatar for the delivery of 12 aircraft by 1997.

In order to balance its Air Force with that of its northern and southern neighboring countries, Peru should purchase 20 F-16 aircraft, of which two would be two-seaters and the rest single-seaters, due to their advantages compared to the MiG-29, Sukhoi 27, and Mirage 2000, according to experts. [passage omitted]

Peru's President Comments on Congressman's Proposal

PY2501004096 Lima America Television Network in Spanish 0100 GMT 24 Jan 96

[FBIS Translated Excerpt] President Alberto Fujimori has virtually refuted congressman Victor Joy Way. The president expressed surprise over Joy Way's proposal about his reelection. Fujimori added that this is a time to work and not to discuss foolish matters.

Fujimori made this statement today during a visit to Huancahuasi.

[Begin recording] [Reporter Aurea Sampen] [passage omitted]

The president did not make any official announcements. He did comment, nevertheless, on legislator Victor Joy Way's proposal about his eventual reelection, and said he had no information on the issue. He said: This is a time to work and not to discuss foolish matters. [end recording]

Peru: President Again Wins High Approval Rating

96P20205A

[FBIS Summary] Peruvian President Alberto Fujimori continues to enjoy a high approval rating, while the

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Catholic Church is deemed the best institution, and Peruvians look primarily to Japan for support in 1996.

These are the results of a Datum poll published 23 December in the Lima daily EL COMERCIO. The poll, conducted 15-16 December with 378 respondents from Greater Lima of all socioeconomic strata, has a margin of error of plus/minus 5.1 percent.

The president got an approval rating of 79 percent. According to Datum, Fujimori's approval rating has varied from 80 to 71 percent since the beginning of his second term in July 1995.

1995 Performance of Institutions

In other parts of the poll, the Catholic Church received the highest approval rating of Peruvian institutions: 55 percent. The Armed Forces came next, with 48 percent of respondents declaring its 1995 performance "very good" or "good."

The National Police and Congress received "average" ratings. EL COMERCIO speculated that the Police's 42-percent rating was linked to the "narcocasas" affair, in which it was disclosed that senior Police officials had been using the confiscated residences of convicted narcotics traffickers. The newspaper attributed Congress' "average" rating to people's disappointment that it had not passed "important" laws.

Some 52 percent of the respondents judged the Lima municipal government's performance as "very bad" or "bad." The thumbs-down, according to EL COMERCIO, was based on the Lima government's failure to solve such problems as uncollected garbage, traffic chaos, and lack of personal security.

Challenges, Support in 1996

An unspecified majority of respondents said the Fujimori government must focus its major efforts in 1996 on jobs creation and on encouraging "greater investment" —presumably foreign investment in Peru.

Some 66 percent of respondents said Japan would lend the most support to Peru in 1996. Only 21 percent thought the United States would be of most help. EL COMERCIO pointed out that of the 66 percent looking to Japan for aid, a large number were young and from the poorest end of society. Attributing the respondents' faith in the Japanese' willingness to help Peru to Fujimori's Japanese ancestry, the paper noted that "in fact" sizable Japanese investments have "not been visible."

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